1 PURPOSE

1.1 To provide members with details of changes proposed to the Accounts and Audit Regulations 2003 and to highlight the impact that the proposed changes will have on this council.

2 BACKGROUND

2.1 In January 2011, the Department for Communities and Local Government (DCLG) published a consultation document 'Revision and consolidation of the Accounts and Audit Regulations 2003 (SI 2003 No 533) as amended'. These regulations contain important provisions on financial management, annual accounts and audit procedures affecting all local authorities and other local public bodies.

2.2 The original Accounts and Audit Regulations have seen one amendment in 2006 and two amendments in 2009. The proposals consolidate the previous amendments that have been made to the Regulations, simplify the text of the regulations and restructure them to make them easier to understand. The proposals also remove spent provisions and seek to align the Regulations to commercial practice, where appropriate.

3 SUMMARY OF PROPOSALS AND THEIR IMPACT

3.1 A summary of the proposals and their impact on this council has been provided at Annex 1. The only area of impact for this council is the removal of the need for this committee to approve the draft Statement of Accounts by the 30 June prior to the external audit.

3.2 Should the proposals come in to force as planned on the 31 March 2011 they would apply to the 2010/11 Statement of Accounts.

3.3 The current regulations require members to approve the annual accounts prior to review by the external auditor. This is out of step with the requirements that are set within the private sector and within some other areas of the public sector where directors or board members would be made aware of the findings of the audit before they would approve the accounts.

3.4 The new proposals are:

- no later than 30 June following the financial year end the responsible financial officer must certify the presentation of the annual accounts in accordance with the current requirements of regulation10(2)
- the annual accounts must be published with the audit opinion and certificate, and before that must have been approved by members. The body must use its best endeavours to secure approval and publication by no later than 30 September
• the responsible financial officer must re-certify the presentation of the annual accounts before member approval is given

3.5 The consultation document makes reference to the transition that local government is making to the presentation of the Statement of Accounts on an International Financial Reporting Standards basis rather than UK-GAAP and states that the proposals would be useful particularly this year as they have the potential to give local authorities additional time to prepare their accounts.

3.6 It may no longer be a requirement, if the regulations come in to force on 31 March 2011, for this Committee to approve the draft financial statements at their meeting in June each year. Options to consider are whether:

   a) To remove the review and approval of the annual financial statements from the June Committee agenda. This would allow officers a little extra time for the preparation of the financial statements prior to audit, particularly as this year is the first year of preparation on an IFRS basis.

   b) To review the draft financial statements in June in preparation for the final review and approval at a meeting before the 30 September. This option would not change the closedown timetable.

   c) To review and approve the financial statements, as in previous years, at the June meeting of this Committee. This option would not change the closedown timetable.

3.7 Unconnected to the changes to the Accounts and Audit Regulations, a further change to the usual closedown timeframe has been put forward for approval by Policy and Finance Committee. This is for the September meeting of this committee to be moved to the 24 August. This is to allow an early audit and sign off of the Statement of Accounts by the Audit Commission.

4 CONCLUSION

4.1 The revision and consolidation of the Accounts and Audit Regulations 2003 has minimal impact on this council, other than some procedural considerations which are needed with regard to the review and approval of the draft Statement of Accounts.

4.2 We will consider which option set out at 3.6 in respect of approval of the financial statements best suits our workplan if the regulations are approved.

HEAD OF FINANCIAL SERVICES

AA4-11/LOAC
17 March 2011
## SUMMARY OF PROPOSALS AND THEIR IMPACT

<table>
<thead>
<tr>
<th>Proposal</th>
<th>Impact on the Council</th>
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<tbody>
<tr>
<td>Consolidation of existing amending instruments</td>
<td>No Impact: no change in the requirements</td>
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<tr>
<td>Restructuring of the Regulations</td>
<td>No Impact: no change in the requirements</td>
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<tr>
<td>Revision of the definition of a smaller relevant body from gross income or expenditure, whichever is higher, of £1m to £6.5m</td>
<td>No Impact: Ribble Valley Borough Council is classed as a ‘larger relevant body’</td>
</tr>
<tr>
<td>For larger relevant bodies annual accounts will no longer require member approval before they have been reviewed by the external auditor. Only certification by the responsible financial officer will be required at this stage.</td>
<td>As Ribble Valley Borough Council is classed as a ‘larger relevant body’ there would be some impact. There are a number of considerations of this impact at paragraph 3.6 of this report</td>
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<tr>
<td>The Code of Accounting Practice for Local Authorities (with modifications) will apply to Passenger Transport Executives</td>
<td>No Impact: not applicable to this council</td>
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<td>Removal of criminal penalties for contravention of the regulations.</td>
<td>No Impact</td>
</tr>
<tr>
<td>Amendment to require the statement of internal control (the Annual Governance Statement) to accompany the published accounts rather than 'to be included with'</td>
<td>No Impact: however, members may consider that the Annual Governance Statement should no longer be included within the Statement of Accounts</td>
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<tr>
<td>References to a 'system of internal audit' have been changed to 'internal audit'</td>
<td>No Impact: no change in the requirements</td>
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<tr>
<td>Various amendments to achieve consistency throughout the regulations, and other minor wording changes</td>
<td>No Impact: no change in the requirements</td>
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