

CARLISLE CITY COUNCIL

Report to:- Carlisle City Council

Date of Meeting:- 19th July 2011

Agenda Item No:-

Public

Title:- **ARRANGEMENTS FOR THE APPROVAL OF THE CITY COUNCIL'S ACCOUNTS**

Report of:- **THE ASSISTANT DIRECTOR (RESOURCES)**

Report reference:- **RD7/11**

Summary Report:-

Report RD7/11, considered by the Audit Committee on 11th April 2011 and attached at Appendix 1, detailed the revised legal and procedural requirements in the light of the Accounts and Audit Regulations 2011. Following consideration of that report, it was agreed that a recommendation be made to the City Council to delegate the approval of the Statement of Accounts to the Audit Committee.

Recommendation:-

Council is asked to consider the recommendation of the Audit Committee, to delegate responsibility to the Committee for approving the accounts in accordance with regulation 8 (3) of the Accounts and Audit Regulations 2011, noting that if this is the approval resolution, the Assistant Director (Governance) be authorised to make all necessary amendments to the Council's Constitution, particularly in respect of the Council's functions and the Rules of Governance of the Audit Committee, to facilitate this delegation and change in responsibility.

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AUDIT COMMITTEE

Committee Report

Public

Date of Meeting: 11th April 2011

Title: The Accounts and Audit (England) Regulations 2011 (SI2011/817)

Report of: Assistant Director (Resources)

Report reference: RD7/11

Summary:

This report details the implications of the recent changes to the Accounts and Audit Regulations.

Recommendations:

Members are asked to note the changes to the Regulations, and the impact of the changes on the governance of the Council's financial management arrangements, and make appropriate recommendations to Council.

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CITY OF CARLISLE

To: Audit Committee
11th April 2011

RD7/11

THE ACCOUNTS AND AUDIT (ENGLAND) REGULATIONS **2011 (SI2011/817)**

1 INTRODUCTION

- 1.1 The Accounts and Audit Regulations govern the way in which local government produce, approve and audit their statutory accounts. For many years this has been in accordance with the 2003 Regulations and four amendments to statutory instruments.
- 1.2 In January 2011 the DCLG commenced a consultation process to revise and consolidate the regulations and the four amendments. Following feedback from 150 authorities and other interested parties, statutory instrument (SI 817), The Accounts and Audit (England) Regulations 2011, was laid before Parliament and came into effect from 31st March 2011. This will apply to the accounts for the year ending 31st March 2011 and later years.
- 1.3 The consolidation of the regulations aims to provide a clear statement for users and to assist those who may be taking a new interest in the financial management arrangements and the accounts of bodies affected by the regulations, following the announcement by the DCLG that the Audit Commission be disbanded. Revisions to the approval process is to assist authorities by providing additional time to implement the changes required as a result of the introduction of International Financial Reporting Standards (IFRS).
- 1.4 There have been many revisions to the regulations which do not have any impact on the Council; however the main changes and the impact on the City Council are set out below.

2 MAIN REVISIONS

- 2.1 Definition of and changed requirements of Smaller Relevant body
Council not defined as a smaller relevant body, therefore no impact or changes required.

2.2 Approval and Publication Process

2003 Regulations - previously the accounts had to be approved by 30th June, and in the Council's case this is the responsibility of full Council (following scrutiny by the Audit Committee). The Auditors then commenced the audit in July and provided their opinion by the end of September. The accounts were to be produced by the statutory date of 30th September and any material adjustments reported to the next available Council meeting, usually in November.

2011 Regulations - the approval process will take place **after** the audit has been undertaken i.e. by the 30th September, and it is the Assistant Director of Resource's responsibility to certify that the accounts give a true and fair of the financial position of the authority, by 30th June prior to the start of the audit process. Once the audit is complete, the Audit Commission will prepare their Annual Governance Report which should be reported to those charge with governance i.e. Audit Committee, the Assistant Director (Resources) will re-certify the accounts and then the accounts will be formally approved and published.

In order to accommodate the new regulations, changes will be required to the Civic Calendar i.e. the special Council at the end of June will no longer be needed but a special Council may be required at the end of September instead. Discussions are underway with the Leader and Portfolio Holder (Governance & Resources) and liaison will take place with other interested parties.

Although not a requirement of the new regulations, the early consideration of the Accounts by Members is still viewed as good practice and it is proposed that the accounts continue to be scrutinised by the Audit Committee at their meeting in June once they have been certified by the Assistant Director of Resources.

As mentioned earlier, in accordance the Council's Constitution, approval of the Accounts is a responsibility of full Council, and in order to comply with the new regulations, a special Council meeting will need to be arranged for the end of September. However at previous Audit Committee's it has been recognised that many other authorities delegate this responsibility to either an Accounts or Audit Committee, or other politically balanced and properly constituted Committees of the authority. Given the changes to the Accounts and Audit Regulations it may be an opportune time to revisit responsibilities with regard to the approval process and delegate responsibility to the Audit Committee. This will create a small group of appropriately trained Members with the relevant expertise to approval the Accounts.

Members may therefore wish to consider this issue again and make recommendations to Council as appropriate.

2.3 Criminal offences

The new regulations have now been amended to state, by omission, that contravention of the Accounts and Audit Regulations does **not** constitute a criminal offence and will not attract criminal penalties.

2.4 Other changes

- Clarification of the definition of remuneration;
- Clarification that the Annual Governance Statement is not part of the Accounts upon which the Auditor's opinion is given, but is to *accompany* the accounts if so decided by the authority;
- Minor narrative changes with regard to the *undertaking* of an adequate and effective internal audit as opposed to *maintaining*.

5. **RECOMMENDATIONS**

Members are asked to note the changes to the Regulations, and the impact of the changes on the governance of the Council's financial management arrangements, and make appropriate recommendations to Council.

PETER MASON
Assistant Director (Resources)

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