

# Taunton Deane Borough Council

## Corporate Governance – 23 May 2011

### Accounts and Audit Regulations 2011

#### Report of the Financial Services Manager

(This matter is the responsibility of the Leader of the Council, Councillor John Williams)

#### 1 Executive Summary

The Government has issued revised and updated the Accounts and Audit Regulations, with the main changes related to the approval process for the Statement of Accounts and the presentation of the Annual Governance Statement.

This report provides Members with an explanation of the changes and their impact, and recommends changes to the Council's accounts approval process in line with the new regulations.

#### 2 Purpose

- 2.1 The Accounts and Audit (England) Regulations 2011 (SI 2011 no 817) were published in March and came into force on 31 March 2011. The purpose of this report is inform Members of the impact of revised regulations, and to recommend changes to the approval process for the Council's Statement of Accounts.

#### 3 Accounts and Audit Regulations Main Changes

- 3.1 The Accounts and Audit Regulations contain important provisions on financial management, annual accounts and audit procedures affecting all local authorities and a number of other local public bodies. The previous Regulations were issued in 2003 and were subsequently amended in 2006 and 2009. The new regulations consolidate the previous regulations and amendments, together with further changes, into the 2011 Regulations.
- 3.2 The main changes to the 2011 Regulations that are relevant to Taunton Deane Borough Council are explained below.

##### **Approval and Publication of Annual Accounts**

- 3.3 The previous regulations required members to approve the annual accounts before they have been reviewed by the external auditor. This is out of step with requirements in the private sector and elsewhere in the public sector, where directors or board members will be aware of the findings of the audit before they approve the accounts. The 2011 Regulations have therefore been updated with the following provisions for the approval and publication of the annual accounts:

<b>Provision</b>	<b>What Has Changed</b>
No later than 30 June following the financial year end the responsible financial officer must certify the presentation of the annual accounts.	Previously the Corporate Governance Committee was required to approve the unaudited accounts by 30 June.
The annual accounts must be published with the audit opinion and certificate by no later than 30 September, and before that must have been approved by members.	Previously, approval by Members was by 30 June with possible re-approval after the audit.
The responsible financial officer must re-certify the presentation of the annual accounts before member approval is given.	New requirement.

3.4 Although it is not a matter for the regulations, it is understood that the finalisation of the audit opinion and certificate would follow shortly after member approval.

3.5 From members' perspective, the key difference is that the accounts will be presented for approval after rather than before the audit, and therefore the deadline for approval by members is 30 September rather than 30 June. However, it is recognised as good practice to continue to present the accounts to members once it is certified by the responsible financial officer, to give an early notification of the financial outcome of the previous financial year. This is reflected in the proposed timetable below.

#### **Remuneration Reporting**

3.6 The Accounts and Audit (Amendment No. 2) (England) Regulations 2009 provided for the disclosure of senior officers' pay and other benefits. The 2011 Regulations have been updated to "remove doubt" about the definition of remuneration to ensure there is consistency in reporting by all local authorities. This is not expected to have any impact on reporting for this Council.

#### **Annual Governance Statement**

3.7 Previous regulations required the Annual Governance Statement (AGS) to be published within the Statement of Accounts. The new regulations have been amended to require the AGS to "accompany" the Accounts. This means the AGS can be published as a separate document alongside the Statement of Accounts rather than within the latter.

### **4 Proposed Timeline for Approval of Accounts**

4.1 In view of the amended regulations it is proposed to implement a revised timetable for the presentation and approval for TDBC's annual accounts as follows:

	<b>Operational Target date 2011</b>	<b>Statutory Deadline</b>
Unaudited Statement of Accounts to be approved by "responsible financial officer" (Shirlene Adam)	30 June	30 June

	<b>Operational Target date 2011</b>	<b>Statutory Deadline</b>
Approved Unaudited Statement of Accounts presented to Corporate Governance Committee	25 July (to be confirmed subject to re-arranged meeting)	
External audit review of the accounts	July and August	
Audited Statement of Accounts re-certified by "responsible financial officer" (Shirlene Adam)	9 September	
Audited Statement of Accounts approved by Corporate Governance Committee	26 September	30 September

- 4.2 The revised regulations provide an opportunity to push back the operational deadline for the responsible financial officer (Strategic Director / S151 Officer) to approve the unaudited accounts. It is proposed to take advantage of this opportunity, and set the formal deadline for approval of 30 June as shown above. However, suitable time is planned in advance of this for the Strategic Director to review the draft accounts prior to approval.
- 4.3 Working to this updated timetable will give the SWONE finance team and TDBC management additional time to prepare the accounts and undertake additional quality assurance work for the draft accounts. This will be particularly helpful this year due to the added burden of reporting the accounts under International Financial Reporting Standards (IFRS) for the first time, and will also enable better preparation for the external audit.
- 4.4 In order to comply with best practice, it is proposed to present the pre-audit annual accounts to Corporate Governance Committee in July, to provide members with early notification of the financial outcome of the previous financial year.

## **5 Annual Governance Statement**

- 5.1 The draft Annual Governance Statement will be shared with Members at the July meeting, with the final Statement being approved and published alongside the Statement of Accounts.

## **6 Finance Comments**

- 6.1 This is a finance report and there are no additional comments.

## **7 Legal Comments**

- 7.1 The Accounts and Audit (England) Regulations 2011 are cast in statute and must be complied with. The Strategic Director and Southwest One finance staff are aware of the requirements and will ensure these are complied with.

## **8 Links to Corporate Aims**

8.1 Compliance with the Accounts and Audit Regulations is a statutory requirement and not directly linked with corporate aims.

## **9 Environmental and Community Safety Implications**

9.1 Not applicable.

## **10 Equalities Impact**

10.1 Not applicable.

## **11 Risk Management**

11.1 There are no changes to the risks associated with the Council's financial management and reporting arrangements as a result of the new regulations.

## **12 Partnership Implications**

12.1 The Statement of Accounts is prepared for the Council by Southwest One. The requirements and recommendations in this report will directly impact on the delivery of the Council's requirements. The proposed changes to the approval timeline will be beneficial in providing additional time to prepare the accounts, which is welcome due to the added impact of implementing International Financial Reporting Standards (IFRS) for this year's accounts.

## **13 Recommendations**

13.1 Members are requested to note the changes to the Accounts and Audit Regulations as set out in this report.

13.2 Members are recommended to endorse the proposed timeline for the approval of the annual accounts for 2010/11 and later years.

### **Contact Officers:**

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