



DERBY CITY COUNCIL

**AUDIT AND ACCOUNTS
COMMITTEE
28 SEPTEMBER 2006**

ITEM 9

Report of the Corporate Director
– Resources and Housing

ACCOUNTS AND AUDIT (AMENDMENT)(ENGLAND) REGULATIONS 2006

RECOMMENDATION

- 1.1 That the Committee notes the changes to Regulations and that revised requirements are already being met or will be met by minor adjustments to procedures.

SUPPORTING INFORMATION

- 2.1 The Deputy Prime Minister and First Secretary of State has made amendment regulations effective from 1 April 2006 to the Accounts and Audit Regulations 2003. There was little publicity at the time and it is difficult to ascertain which Local Authority Associations and bodies of Accountants were consulted about the changes.
- 2.2 On 18 August 2006, the Department for Communities and Local Government issued "Guidance on the Account and Audit Regulations 2003" to provide guidance on new requirements introduced by the amendments to the 2003 Regulations. Relevant extracts from the guidance document are contained in Appendix 2.
- 2.3 The changes are not significant because the authority is already either meeting the requirement or has taken steps to make changes to procedures to incorporate the new requirement.
- 2.4 The main effects on this Authority are as follows:
- The review of the Statement of Internal Control (SIC) has to be considered by a committee of the relevant body, or members of the body, as a whole. This requirement is already included in the terms of reference for the Audit and Accounts Committee and the SIC was reviewed at the June meeting.
 - At least once a year the body must conduct a review of the effectiveness of its systems of internal audit, and the findings should be reflected in the review of the effectiveness of the system of internal control in the SIC. The Audit and Accounts Committee is best placed to carry out this out.
 - A new provision has been included at Regulation 10(6) to outline the procedure if a relevant body does not approve its accounts by the deadline. This requirement can be met by arranging a special meeting of the Audit and Accounts Committee within the 20 days.
 - Guidance on the term "publication" to not mean merely the appearance of the accounts in the documents of meetings, committees or subcommittees of the

body. As a minimum, immediately following the approval of the statement of accounts, these would be published on the Council's website, intranet and then by booklet publication available on request. A pilot was carried out in 2006/7 whereby an annual report went to all residents which included key information extract from the 2005/6 annual accounts. If the decision is taken to continue this it would provide another avenue to publish key extracts from the annual accounts.

- Any material amendments, however occasioned, must be reported to the relevant body or committee that approved the accounts. This would be reported as a matter of course to the September Audit and Accounts Committee before publication.

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Background papers:	The Accounts and Audit Regulations 2003. The Accounts & Audit (Amendment) (England) Regulations 2006.
List of appendices:	Appendix 1 – Implications Appendix 2 – Extract from “Guidance on the Account and Audit Regulations 2003”

IMPLICATIONS

Financial

1. A commitment was approved from the underspend for 2005/6 of £20,000 for piloting the annual report. This will be an on-going revenue cost if the decision is to continue to publish the annual report and as such would need to be approved as part of the budget process.

Legal

2. None directly arising.

Personnel

3. None directly arising.

Equalities impact

4. None directly arising.

Corporate objectives and priorities for change

5. None directly arising.

Extract from “Guidance on the Account and Audit Regulations 2003”

“PROPER PRACTICES”

6. The 2006 amendments rationalise the use of the term “proper practices” in the 2003 Regulations by identifying whether the reference is to:
 - Proper practices in relation to internal control, or
 - Proper practices in relation to accounts.
7. Proper practices in relation to internal control are referred to in Regulations 4 and 6. There is no statutory definition of such practices. In these circumstances it is for relevant bodies to identify the appropriate professional guidance containing proper practices. In our view, the relevant guidance would include:
 - *Statement on Internal Control in Local Government: meeting the requirements of the Accounts and Audit Regulations 2003*, published by CIPFA in 2004;
 - *Corporate Governance in Local Government: A Keystone for Community Governance (Framework and Guidance Note)*, produced by CIPFA/SOLACE in 2001 (currently under review³);
 - *Code of Practice for Internal Audit in the United Kingdom*, published by CIPFA in 2003 (currently under review);

REGULATION 4 – REVIEW OF SYSTEMS OF INTERNAL CONTROL

9. Regulation 4 of the 2003 Regulations was amended in 2006 to require the findings of the review of the effectiveness of the system of internal control (referred to in Regulation 4(2)) to be considered by a committee of the relevant body, or by the members of the body meeting as a whole. Whilst Regulation 4 does not require the establishment of an audit committee, such a committee would provide an appropriate means through which to consider the findings of the review.

REGULATION 6 – REVIEW OF INTERNAL AUDIT

10. Regulation 6 of the 2003 Regulations was amended in 2006 to require relevant bodies to conduct an annual review of the effectiveness of its system of internal audit and for a committee of the body to consider the findings. This process is also part of the wider annual review of the effectiveness of the system of internal control. As with regulation 4 above, this does not require the establishment of an audit committee, although such a committee would provide an appropriate means through which to carry out the review of internal audit as it has a role in monitoring internal audit but is independent from it. If an audit committee does not exist the body will need to consider what other equivalent arrangements it needs to put in place to carry out the review.
11. Proper practices in relation to internal audit for relevant bodies may be found in the Code of Practice for internal audit in local government in the United Kingdom, issued by CIPFA. Smaller relevant bodies should refer to Governance and Accountability in local councils in England and Wales. A practitioner’s guide, issued by NALC and the SLCC. Internal Drainage Boards should refer to Governance and Accountability in Internal Drainage Boards in England, A Practitioners Guide 2006, published by the Association of Drainage Authorities.

REGULATION 7 – STATEMENT OF ACCOUNTS

12. Regulation 7 of the 2003 Regulations was amended in 2006 to remove a number of references to accounting statements as the documents referred to in paragraphs 6 & 7 above already specify the accounting statements required. The aim is to rely as much as possible on these documents, where appropriate.

13. It was necessary to include certain references to accounting statements, for example, the new references to the Firefighters' Pension Fund (FFPF) and the Dedicated Schools Grant (DSG), as these statements are not required by generally accepted accounting practices but are requirements of the finance regimes which specifically set up, for example, the FFPF and DSG.

7(1)(d) Dedicated Schools Grant

15. The Department for Education and Skills has produced guidance on the requirement to include a statement certified by the Chief Financial Officer of an authority that the DSG is being deployed in support of the Schools Budget. A copy of the guidance has been sent to all Chief Financial Officers and can also be found at <http://www.teachernet.gov.uk> under Management, School Funding.

REGULATION 10 – SIGNING AND APPROVAL OF ACCOUNTS

20. Regulation 10 of the 2003 Regulations was amended in 2006 to bring forward the deadline for the signing and approval of accounts in smaller relevant bodies from 30th September to 30th June. This is to bring smaller relevant bodies in line with other relevant bodies. There will be a transitional period for each year until 2008, with the deadline remaining 30th September in 2006, then 31st August in 2007, 31st July in 2008 and 30th June thereafter.
21. Also a new provision has been included at Regulation 10(6) to outline the procedure if a relevant body does not approve its accounts by the deadline. It may be the case that a relevant body cannot approve the accounts, for example, if there is a discrepancy that cannot be resolved in time. In this case, the relevant body must hold a meeting within 20 days of the deadline. If this meeting fails to reach agreement the relevant body must publish a statement explaining the reasons why.

REGULATION 11 AND 12 – PUBLICATION

22. Regulations 11 and 12 of the 2003 Regulations provide that, when a relevant body arranges for the publication of its statement of accounts, or its income and expenditure account, as the case may be, the term “publication” should not mean merely the appearance of the accounts in the documents of meetings, committees or subcommittees of the body. In addition to this, we recommend as good practice that the requirement to “publish” the statement or the income and expenditure account should not mean merely providing copies to enquirers on demand. Good practice might include: putting a copy on a notice board, copying onto a website, publishing as a separate leaflet, or publication in a newspaper or as part of a newsletter.
23. Authorities will themselves wish to consider the appropriateness of the publication arrangements they have in place, bearing in mind the need to make information as widely available as practicable, but also taking into account local circumstances, including the size of the authority, the resources available, the number of electors and the existence of any local information networks.

REGULATION 18 – NOTICE OF CONCLUSION OF AUDIT

24. Regulation 18(4) of the 2003 Regulations refers to the requirement to report to the relevant body or committee of the relevant body that approved the accounts material amendments to the statement of accounts or record of receipts and payments which have occurred since their original approval. The Regulation previously referred only to amendments made as a result of an auditor's report but in 2006 this was amended so that any material amendments, however occasioned, must be reported to the relevant body or committee that approved the accounts. This change seeks to reinforce the point that it is the body which is responsible for the accuracy and completeness of its accounts.