



Report of the Director of Resources

Corporate Governance and Audit Committee

Date: 14th February 2011

Subject: Communities and Local Government consultation - amendments to the Accounts & Audit Regulations 2003.

Electoral Wards Affected:

Ward Members consulted
(Referred to in report)

Specific Implications For:

Equality and Diversity
Community Cohesion
Narrowing the Gap

1.0 Purpose Of This Report

1.1 Communities and Local Government (CLG) are consulting with Local Authorities on proposed amendments to the Accounts and Audit Regulations 2003. The consultation documents are attached for Members' information at Appendix 1. This report aims to inform Members of the main amendments to the regulations and seek Members' views on the proposed changes. The consultation period ends on 4th March 2011 and therefore it is proposed that officers circulate a draft response for comments from the Members of this Committee.

2.0 Main Issues

2.1 The main amendments put forward in the consultation are as follows:

2.2 In respect of the approval and publication of the annual accounts, Members will not now be required to approve the unaudited accounts by the 30th June. The Responsible Financial Officer will still be required to certify that the accounts are a true and fair view by this date and Members will be required to continue to approve the audited accounts by the end of September. This new proposal will bring Local Authorities in line with the process for approving company accounts. In considering this proposed amendment, Members may wish to take into consideration the fact that the Council's year end financial position is also reported to the Executive Board in May. In addition, it is also worth noting that it is a requirement of the regulations that the accounts are made available for public inspection and it is standard practice that this is undertaken before the audited accounts are approved.

2.3 Currently any contravention of the regulations is a criminal offence. The proposal is that none of the regulations should be identified as attracting criminal penalties.

2.4 The current regulations require the Council to annually review the effectiveness of its *system of internal audit*. The Council has previously asked for clarification of the meaning of the term '*system of internal audit*', as opposed to a review of the

effectiveness of the internal audit function. CLG now recognise the confusion and propose to clarify the requirement by requiring an annual review of the effectiveness of internal audit – we welcome this clarification and will report the findings of that review to the Corporate Governance and Audit Committee.

- 2.5 The statement on internal control (referred to as the Corporate Governance Statement in Leeds), is no longer to be published as part of the Statement of Accounts. The statement on internal control will accompany the published accounts, to make it clear that the statement is not part of the accounts.

3.0 Implications For Council Policy And Governance

- 3.1 It is currently the responsibility of the Responsible Financial Officer to certify that the unaudited accounts are a true and fair view of the Council's financial position. It is also the responsibility of Members of this Committee to approve the unaudited accounts by the 30th June. The accounts are then made available for public inspection. Under these new proposals the responsibility of the Responsible Financial Officer remains the same but members are only required to approve the audited accounts before the 30th September.

4.0 Legal And Resource Implications

- 4.1 There have been no known examples of a criminal prosecution for failure to comply with the current regulations. As compliance with procedural arrangements in local government is normally achieved without recourse to criminal law, the proposed decriminalisation of non-compliance is supported.
- 4.2 The CLG deadline for responses is the 4th March 2011. Consequently, Members' views are being sought at this committee in order for Members' views to be reflected in the Council's response.

5.0 Recommendations

- 5.1 Members to be asked to identify any issues or concerns raised by the consultation amendments so that they can be incorporated into the Council's response.

Background Documents Used

Communities and Local Government (CLG) Consultation Document