

Central Durham Crematorium Joint Committee

27 April 2011

Revision and consolidation of the Accounts and Audit Regulations 2003 – Change in definition of Smaller Relevant Body



Joint Report of Terry Collins – Corporate Director: Neighbourhood Services; Don McLure – Corporate Director: Resources & Treasurer to the Joint Committee

Purpose of the Report

1. The purpose of this report is to inform members of recent revisions and consolidation of the Accounts and Audit Regulations 2003 and to set out the impact on the Central Durham Crematorium Joint Committee as a result.

Background Information

2. In January 2011, the Department for Communities and Local Government (DCLG) issued a consultation paper under section 27 (3) of the Audit Commission Act 1998 to consult on a proposal to revise and consolidate the Accounts and Audit Regulations 2003 and four amending instruments.
3. Responses were invited from statutory consultees and from other interested parties to whom the regulations apply with all responses submitted to the DCLG by 8 March 2011.

The form of Revision and Consolidation

4. The aim of the revision and consolidation was to make the regulations easier to understand. They have been restructured to separate out provisions on the annual accounts applying to smaller and larger relevant bodies.

Definition of a smaller relevant body

5. Smaller relevant bodies are permitted by the regulations to prepare simpler published accounts than the larger bodies, and are also subject to less demanding procedural requirements and, under arrangements made by the Audit Commission, such bodies are subject to a **limited assurance audit regime**.
6. As part of the general move to reduce administrative burdens on public authorities, consideration was given by the DCLG to raising the threshold for placing a body in the smaller category.

7. Prior to this consultation, to be classed as a smaller relevant body, a body required gross income or expenditure (whichever is higher) of less than £1million in the year of account or in either of the two preceding years.
8. The consultation identified that the limit should be based on the thresholds laid down by companies legislation in the definition of small companies.
9. The small companies definition depends on turnover, balance sheet totals and number of employees. For local public bodies it was considered that only the first of these factors was relevant and that it should be measured as the higher of gross income and gross expenditure in the same way as the present limit. **Based on the current requirements of section 382 the Companies Act 2006 (as amended by the Companies Act 2006 (Amendment) (Accounts and Reports) Regulations 2008, SI 2008 No 393) this limit would be £6.5million.**
10. As a result, any relevant public body with gross income or expenditure (whichever was the higher) less than or equal to £6.5million in the year of account or either of the two preceding years has been reclassified as a smaller relevant body.

Implications for Central Durham Crematorium Joint Committee

11. The revised regulations identify the normal reporting requirements of all smaller relevant bodies to be in the format of an annual return, however the Joint Committee (as with all smaller bodies) have the option to continue to follow the rules applying to larger bodies and elect to again prepare a full Statement of Accounts.
12. In light of the two options available, the Treasurer has, in conjunction with the Head of Finance, HR and Business Support – Neighbourhoods Services, discussed the implications for the Joint Committee.
13. Mountsett Crematorium Joint Committee is also classed as a small relevant body and has historically completed an annual return under the limited assurance audit regime. In addition however, as further evidence of the financial position, Mountsett Crematorium Joint Committee also prepare Statement of Accounts considering the Code of Practice on Local Authority Accounting in Great Britain as updated and published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
14. In order to bring the Central Durham Crematorium Joint Committee Annual Return processes in line with those of the Mountsett Crematorium Joint Committee, and in consideration of the progress made already by the Head of Finance, HR and Business Support and his Principal Accountant / Finance officers in compliance with the 2010 Code of Practice on Local Authority Accounting in the United Kingdom, the Treasurer proposes for the 2010/11 year end, to also prepare a Statement of Accounts.
15. Members should be aware however, that under the new regulations, these Statements will not be audited, rather they will provide supporting evidence on the accuracy of the information included within the Annual Return.

16. As a result of the revised classification and subsequent change to a limited Assurance External Audit Approach, the Joint Committee will now be subject to a fixed Audit fee, as prescribed by the Audit Commission. This is substantially lower than in previous years.

17. The Limited Assurance Audit fees are fixed based on the Income/ Expenditure band that the audited body falls under, for Central Durham Crematorium Joint Committee the band/ fees are as follows:

- Income / Expenditure Band £1,000,001 - £2,000,000
- Fees £3,000

18. For members information, the 2011/12 External Audit Fee budget is currently £15,000, therefore a saving of c£12,000 against this budget can be expected this year.

.Recommendations and reasons

19. It is recommended that:-

- Members of the Joint Committee note the Revision and consolidation of the Accounts and Audit Regulations 2003 with regards to the change in definition of a Smaller Relevant Body;
- Members of the Joint Committee note the change in reporting requirements and approve the Treasurers proposal to prepare Financial Statements to further evidence the accuracy of the Annual Return information; and
- Members note the reduction in Audit costs as a result of the change in the 'Audit' status of the Central Durham Crematorium Joint Committee.

Background Papers

Department for Communities and Local Government Consultation paper – Revision and consolidation of the Accounts and Audit regulation 2003 (SI2003 No 533) as amended

Audit Commission letter 15 April 2011 – Appointment of External Auditor

Appendix 1: Implications

Finance

The financial impact of the revised Accounts and Audit Regulations 2003 – Change in definition of a smaller relevant body is detailed within the Report. The CDCJC accounts will now fall within the definition of a smaller relevant body and as such the CDCJC will now be required to approve the Annual return. External Audit fees will be £3,000 in 2011/12. This is a fixed fee.

Staffing

There are no staffing implications associated with this report.

Risk

None identified. Finance staff are professionally competent and capable of preparing the annual return and preparing the accounts for the CDCJC in line with the requirements of the Accounts and Audit Regulations 2003 (as revised).

Equality and Diversity

None identified.

Accommodation

None.

Crime and Disorder

None.

Human Rights

None

Consultation

None. However, Officers of Spennymoor Town Council were provided with a copy of the report and given opportunity to comments / raise any detailed queries on the contents of this report in advance of circulation to members of the CDCJC.

Procurement

None. External Auditors are appointed by the Audit Commission.

Disability Discrimination Act

None

Legal Implications

The Accounts and Audit Regulations 2003 (as revised) set out the legal and regulatory framework in which the Annual Return of the Joint Committee is prepared. The proposals within this report seek to strengthen the Joint Committees compliance with these regulations.