



JOINT COMMITTEE – 6th May 2011

ACCOUNTS AND AUDIT (ENGLAND) REGULATIONS 2011

REPORT OF THE TREASURER

1. Introduction

- 1.1 The Accounts and Audit Regulations are made under section 27 of the Audit Commission Act 1998 and include important provisions on financial management, the form of the annual published accounts, and procedures connected with the approval and publication of the annual accounts and the conduct of the audit. They apply to all major local authorities and other local public bodies in England.
- 1.2 In January 2011, the Department for Communities and Local Government (DCLG) consulted local authorities on proposals to revise and consolidate the Accounts and Audit Regulations 2003 and four amending instruments. The consultation process ended on 4 March 2011 and the DCLG subsequently confirmed that the Accounts and Audit (England) Regulations 2011 would come into force on 31 March 2011. The purpose of this report is to inform Members of the impact to the Joint Committee of the revised Regulations.

2. Accounts and Audit Regulations 2011

- 2.1 The Regulations came into force on 31 March 2011, which means that they will apply to the preparation, approval and audit of statements of accounts prepared in respect of the year ending 31 March 2011 and subsequent years. They have been restructured to separate out provisions on the annual accounts applying to smaller and larger public bodies.
- 2.2 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. In addition, under arrangements made by the Audit Commission such bodies are subject to a limited assurance audit regime.

2.3 Prior to the 2011 Regulations, to be classified as a smaller relevant body, a body had to have gross income or expenditure (whichever was higher) of less than £1m in the year of account or in either of the two preceding years. This threshold has been revised under the 2011 Regulations, so that the limit is based on the thresholds laid down by companies' legislation in the definition of small companies. Under Regulation 2(1) a body can be classified as a smaller relevant body if its gross income or expenditure (whichever is the higher) is no more than £6.5m.

2.4 The revised threshold means that the Joint Committee can be classified as a smaller body for the preparation of the 2010/2011 statement of accounts. This will reduce the administrative burden previously placed on the Museum as they will be subject to less demanding requirements for accounting and audit and the audit fees will be lower than those for previous years as a result, although we are still waiting for confirmation of the proposed fees applicable.

2.5 The smaller relevant body must observe certain requirements which are set out below for information:

- Prepare for each year an income and expenditure account and a statement of balances, in accordance with, and in the form specified in any Annual Return required by proper practices in relation to the accounts, or
Prepare a statement of accounts in accordance with the regulations, as if they applied to smaller relevant bodies;
- The accounting statements must be approved by the full Joint Committee before 30th June of each year (subject to audit) and the audited statements by 30th September of each year;
- The approval in June referred to above has been clarified to mean that the Joint Committee is approving the accounts and annual report submitted to the auditors and is, not as such, final approval of the accounts which takes place on or before 30th September;
- The explicit requirement to review the effectiveness of internal audit has been removed for smaller bodies, however this review should be considered as part of the overall review of internal controls that must be carried out annually;
- Smaller bodies also have the option of making the financial documents and records available at 'reasonable times' during the 20 day notice period. The Joint Committee therefore does not need to display the times and days the records are to be made available on the notice but must provide electors with a phone number to contact the relevant finance officer and then provide as appropriate the necessary details. If the contact information was made available on the Beamish website for example then this would save on advertising costs and yet would still comply with the new

regulations.

3. Recommendations

3.1 Members are requested to:

- Note the implications of the Accounts and Audit Regulations 2011.

Malcolm Page
Treasurer