

Central Durham Crematorium Joint Committee

21 January 2015



Local Audit and Accountability Act 2014 – Changes to Audit Requirements for Joint Committees

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

Purpose of the Report

1. The purpose of this report is to inform members of changes to the Statutory Audit requirements for Joint Committees effective from 1 April 2015.

Background Information

2. Prior to 2010/11, the Central Durham Crematorium Joint Committee was required, under the Accounts and Audit Regulations 2003, to prepare a fully CODE/ SORP Compliant Statement of Accounts, which was subject to independent external audit review.
3. In April 2011 the Joint Committee was advised of changes made by the Department for Communities and Local Government (DCLG) which sought to consolidate the Accounts and Audit Regulations 2003 and subsequently resulted in a change to the classification of the Joint Committee as a Smaller Relevant Body.
4. During 2011/12, as a smaller relevant body, the Joint Committee was permitted by the regulations to prepare and publish much simpler accounts, in the form of a Small Bodies Annual Return and as a result was subsequently subject to a limited assurance audit regime.
5. Members will however recall the decision to further evidence it's financial position and provide supporting evidence on the accuracy of the information included within the Annual Return, by continuing to prepare Statement of Accounts which considered 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).
6. In December 2014 the DCLG issued the Local Audit and Accountability Act 2014 – Changes to Audit Requirements for Joint Committees circular (copy attached at Appendix 2) which advised Joint Committees that, with effect from 1 April 2015, (following the implementation of the Local Audit and Accountability Act 2014) there would be changes in audit requirements applicable to such bodies.

7. From 1 April 2015, Joint Committees will no longer be required to have their accounts separately prepared and audited. As a result, the final mandatory audit for such bodies will cover the period 2014/15 period.
8. The Department for Communities and Local Government has made this change as it is recognised that the appropriate parts of Joint Committee's financial results are reported within the Accounts of their constituent authorities and are therefore subject to audit via their individual statutory audit arrangements.

Implications for Central Durham Crematorium Joint Committee

9. The Audit and Accountability Act 2014 removes the statutory requirement for the Central Durham Joint Committee to complete a separate Small Bodies Annual Return and the outcome of its subsequent limited assurance audit. Continuing this practice is now discretionary.
10. In order to ensure that an effective financial and governance framework is maintained however the Central Durham Crematorium Joint Committee will need to consider the effect of ending its separate audit arrangements.
11. Whilst the removal of the Audit requirement could result in a saving of £2,000 in terms of the External Audit fee, the Joint Committees financial governance arrangements could be weakened as a result.
12. The Joint Committee will need to provide continued assurance regarding stewardship of the funds under its control and as a result it is proposed that members consider the continued preparation of the Small Bodies Annual Return and an audit arrangement separate to those of their constituent authorities.
13. It is however proposed to discontinue the production of a full Statement of Accounts for the 2014/15 financial year onwards and instead merely provide the Statutory Annual Return along with a Balance Sheet within a supporting outturn report for member's consideration at the June 2015 meeting.
14. Members will note from the Support Services SLA a proposed reduction in time undertaken by finance staff for Accounts preparation for the forthcoming year in anticipation that members support the proposals within the report.

Further Information

15. The Limited Assurance Audit contract currently undertaken by BDO LLP is due to end in September 2015 following the completion of the 2014/15 audit. Guidance regarding the engagement for future first auditor appointments under the provision of the 2014 Act will be published by the National Audit Office in the forthcoming weeks and should members support the proposals set out in this report an External Auditor will be appointed in line with this guidance.

Recommendations and reasons

16. It is recommended that:

- (i) Members of the Joint Committee note the changes to Audit Requirements with effect from 1 April 2015.
- (ii) Members consider and approve the discontinuation of the full Statement of Accounts element for the 2014/15 financial year.
- (iii) Members of the Joint Committee consider and approve the continued separate audit arrangements following the 2014/15 audit in order to ensure a continued effective financial and governance framework and that this will be based upon the continued preparation of the small Bodies Annual Return and reporting of Balance Sheet information within a supporting outturn report in June each year.
- (iv) Members of the Joint Committee note the publication of Audit Appointment guidance in forthcoming weeks and agree to the appointment of an independent External Auditor in line with that guidance.

Background Papers

Department for Communities and Local Government Circular – Local Audit and Accountability Act 2014- Changes to Audit requirements for Joint Committees Dec 2014

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Appendix 1: Implications

Finance

The proposed guidance on the appointment of Audit bodies is expected within the coming weeks. The 2014/15 audit is mandatory and therefore there is no financial impact for the 2014/15 year as a result of the Act.

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 audit requirements

Equality and Diversity

None identified.

Accommodation

None.

Crime and Disorder

None.

Human Rights

None

Consultation

Officers of Spennymoor Town Council were consulted on the contents of this report.

Procurement

None. External Auditors are appointed by the Audit Commission.

Disability Discrimination Act

None

Legal Implications

The Local Audit and Accountability acts 2014 sets out the legal and regulatory framework in which Joint Committees are to report their financial arrangements. The proposals within this report seek to strengthen the Joint Committees compliance with these regulations.