

## **THE ACCOUNTS AND AUDIT REGULATIONS 2015**

### **REPORT BY SARAH GOBEY, CHIEF FINANCIAL OFFICER**

#### **1.0 SUMMARY**

- 1.1 The purpose of this report is to brief the Joint Governance and Audit Committee on the Accounts and Audit Regulations 2015 which were laid before Parliament on 17<sup>th</sup> February 2015 and which came into force on 1st April 2015.

#### **2.0 BACKGROUND**

- 2.1 The Accounts and Audit Regulations contain provisions on financial management, annual accounts, internal control and audit procedures affecting all local authorities and a number of other local public bodies.
- 2.2 The Accounts and Audit Regulations 2015 revoke the Accounts and Audit (England) Regulations 2011 (and related adjusting amendments). The 2011 regulations were in effect in relation to financial years ending on or before 31 March 2015. The Councils' Statement of Accounts for 2014/15 was subject to the requirements of the 2011 Regulations. The publication and audit of the forthcoming 2015/16 Statement of Accounts will be subject to the 2015 Regulations.

#### **3.0 ACCOUNTS AND AUDIT REGULATIONS 2015 - STRUCTURE AND CONTENTS**

- 3.1 The 2015 Regulations are structured as follows:

##### **Part 1 - Introduction and Interpretation**

##### **Part 2 – Internal Control**

- Responsibility for internal control ensuring effective financial management and effective arrangements for risk management;
- responsibility for and maintenance of accounting records and system of financial control;
- requirement to undertake an effective internal audit to evaluate the effectiveness of risk management, control and governance processes;
- requirement to review the effectiveness of the system of internal control.

### **3.0 ACCOUNTS AND AUDIT REGULATIONS 2015 - STRUCTURE AND CONTENTS**

#### **Part 3 – Published Accounts and Audit**

- Requirement to prepare a statement of accounts in accordance with the regulations and proper practices;
- arrangements for signing and approval of the accounts including consideration and approval of the accounts by Members;
- publication of the statement of audited accounts by 31st July each year from 2017/18 (currently 30th September).

#### **Part 5 – Inspection and Notice Procedure**

- Period for exercise of public rights – rights of objection, inspection and questioning of the local auditor to be exercised within a single period of 30 working days;
- Above period to include the first 10 working days of July following the year-end and from 2017/18 this becomes the first 10 working days in June;
- Arrangements to publish pre-audit accounts including notice of public rights
- Notice of conclusion of audit and rights of public inspection;
- Procedure for written notice of objections to the auditor

#### **Part 6 – Miscellaneous**

- Publication of annual audit letter

### **4.0 ACCOUNTS AND AUDIT REGULATIONS 2015 – THE CHANGES**

#### **4.1 Timing of Changes**

4.1.1 The regulations come into force from April 2015, which means that majority of the changes described in the 2015 Accounts and Audit Regulations are applicable from the 2015/16 statement of accounts. However the most significant change contained within the new regulations is deferred until 2017/18 as follows:

- i) The deadline for certifying the statement of the accounts by the Chief Financial Officer will remain as 30<sup>th</sup> June until 2017/18 when it will become 31<sup>st</sup> May. The accounts must be certified before the public inspection period.
- ii) The deadline for the approval and publication of the audited accounts will remain as the 30<sup>th</sup> September until 2017/18 when it will become the 31<sup>st</sup> July.

## **4.0 ACCOUNTS AND AUDIT REGULATIONS 2015 – THE CHANGES**

### **4.1 Timing of Changes**

- iii) The period for the inspection of the accounts must include the first 10 days in July until 2017/18 when it will include the first 10 days of June.

These changes will significantly impact the timing of the preparation and approval of the 2017/18 accounts.

### **4.2 Categorisation of Authorities**

4.2.1 The regulations define relevant authorities as Category 1 and Category 2 authorities. Category 1 authorities are larger Councils such as Adur and Worthing Councils or smaller authorities that have chosen to prepare their accounts for the purpose of a full audit. All other authorities are classed as Category 2 authorities

4.2.2 The requirements of the regulations are identified separately for Category 1 and Category 2 authorities. The remainder of this report will focus on the regulations for Category 1 authorities only.

### **4.3 Earlier Timetable for the Closure of Accounts**

4.3.1 Previously, for the financial years up to and including 2014/15 the 2011 Regulations required that the following provisions be applied for the approval and publication of the annual accounts:

- no later than 30th June following the financial year end the responsible financial officer must certify the presentation of the annual accounts
- the annual accounts must be published with the audit opinion and certificate, and before that must have been approved by members, by no later than 30th September
- the responsible financial officer must re-certify the presentation of the annual accounts before member approval is given

4.3.2 The transition regulations were explained in paragraph 4.1.2 of this report. From 2017/18, the 2015 Accounts and Audit Regulations bring forward significantly the timetable for the closure of Accounts as follows:

- the responsible financial officer must certify the accounts. Whilst no date is provided for this in the regulations, the latest date the accounts can be signed is 31st May as the accounts must be open for public inspection by 1st June at the latest.
- the annual accounts (including annual governance statement) must be published with the audit opinion and certificate, and before that must have been approved by members, by no later than 31st July.
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## **4.0 ACCOUNTS AND AUDIT REGULATIONS 2015 – THE CHANGES**

### **4.3 Earlier Timetable for the Closure of Accounts**

- the responsible financial officer must re-certify the presentation of the annual accounts before member approval is given

4.3.3 A fundamental review and streamlining of the year-end closedown process will be required to enable the Council's audited accounts to be certified 1 month earlier than they are currently. In addition the audit and certification of the accounts has been bought forward by 2 months which will also mean a change to how the audit is undertaken.

4.3.4 In recognition of this, the 2015 Regulations make transitory provisions for the statement of accounts relating to financial years 2015/16 and 2016/17 with continuation of the current 30<sup>th</sup> September deadline for publication of audited accounts and the implication is that sign off by the responsible finance officer also remains at 30<sup>th</sup> June for 2015/16 and 2016/17.

### **4.4 Exercise of Public's Rights to Inspect the Accounts**

4.4.1 For financial years up to and including 2014/15 the 2011 Regulations required that the Councils make available the accounts and other relevant documents available for public inspection for 20 working days before the date appointed by the Council's external auditor for questions and/or objections to the external auditor. The Council must give at least 14 days' notice of the public inspection period.

4.4.2 The 2015 Regulations require that the responsible finance officer must ensure that the period for the exercise of public rights includes the first 10 working days of June of the financial year immediately following the end of the financial year being reported (transitional arrangements allow for this period to relate to the first 10 working days of July for reporting on financial years 2015/16 and 2016/17). The period for the exercise of public rights (which will include rights of objection, inspection and questioning of the external auditor) may only be exercised within a 30 day period. During the period for the exercise of public rights the council must make all relevant documents available for public inspection.

### **4.5 Other Changes**

4.5.1 There are a couple of other minor changes in the 2015 regulations that will apply from 2015/16. The most significant are:

- Documents relating to the published statement of accounts must remain available for public access for a period of not less than 5 years.
- A narrative statement (Part 3, section 8) must be prepared to support the statement of accounts. It must include comment by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the relevant financial year.

## **5.0 ADUR & WORTHING PROGRESS TO DATE**

### **5.1 2015/16 Statement of Accounts**

Adur and Worthing staff have incorporated the requirements of the 2015 Accounts and Audit Regulations into the 2015/16 statement of accounts and procedures with the aim of bring completion of the accounts forward.

### **5.2 Other Process Changes preparing for 2016/17**

The changes required by the 2015 Accounts and Audit Regulations impact significantly upon all those involved in the preparation and audit of the accounts. The Finance staff are aware of the challenge and have already taken steps to achieve the new tighter timetable through a number of measures. Examples include the following:

- a) Staff have been in regular dialogue with external auditors to ensure that the accounts comply with the new legislation. With the External Auditors we have agreed an in-year "hard close", which means that we have closed the accounts at December 2015 to allow a partial audit of transactional data at this time. This will reduce audit work required from end of June.
- b) The timetable has been reviewed with the aim of programming tasks earlier in the financial year. This is an ongoing process and further revisions will be required for next year's process.
- c) The Council is also investigating extending the use of estimation techniques particularly for the valuation of assets and pension valuations.

Outside agencies impact upon the closure of accounts process. West Sussex Finance Officers Association (WSFOA) have requested earlier pension information from Actuary and a review of external valuation working practices is being undertaken.

## **6.0 LEGAL**

- 6.1 There are no immediate legal implications arising directly from the content of this report. Compliance with the regulations will be required for accounting periods commencing on or after 1st April 2015.

## **7.0 FINANCIAL IMPLICATIONS**

- 7.1 There are no immediate financial implications arising from this report. Although, as explained in 4.2.3, processes and practices will need to change in order to comply with the tighter timescales. Any future financial implications will be reported.

## **8.0 CONCLUSION**

- 8.1 Much of the content of 2015 Accounts and Audit Regulations is similar to the 2011 regulations. The most significant change for the Councils is the accelerated deadline for the preparation and audit of the accounts. Adur Worthing staff, in conjunction with the External Auditors, has taken action to comply with the new regulations.

## **9.0 RECOMMENDATIONS**

- 9.1 The Committee is recommended to note the publication and requirements of the Accounts and Audit Regulations 2015

### **Local Government Act 1972**

#### **Background Papers:**

Accounts and Audit (England) Regulations 2015

[http://www.legislation.gov.uk/uksi/2015/234/pdfs/uksi\\_20150234\\_en.pdf](http://www.legislation.gov.uk/uksi/2015/234/pdfs/uksi_20150234_en.pdf)

Local Audit and Accountability Act 2014

<http://www.legislation.gov.uk/ukpga/2014/2/contents/enacted>

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## **SCHEDULE OF OTHER MATTERS**

### **1.0 COUNCIL PRIORITY**

Matter considered and no issues identified

### **2.0 SPECIFIC ACTION PLANS**

2.1 Matter considered and no issues identified

### **3.0 SUSTAINABILITY ISSUES**

3.1 Matter considered and no issues identified

### **4.0 EQUALITY ISSUES**

4.1 Matter considered and no issues identified

### **5.0 COMMUNITY SAFETY ISSUES (SECTION 17)**

5.1 Matter considered and no issues identified

### **6.0 HUMAN RIGHTS ISSUES**

6.1 Matter considered and no issues identified

### **7.0 REPUTATION**

7.1 The External Auditor's Audit Results Report – ISA (UK and Ireland) 260 is a publicly available document and as such the findings on the report have an impact on the Councils reputation with regard to financial Governance.

### **8.0 CONSULTATIONS**

8.1 Matter considered and no issues identified

### **9.0 RISK ASSESSMENT**

9.1 Matter considered and no issues identified

### **10.0 HEALTH AND SAFETY ISSUES**

10.1 Matter considered and no issues identified

### **11.0 PROCUREMENT STRATEGY**

11.1 Matter considered and no issues identified

### **12.0 PARTNERSHIP WORKING**

12.1 This report contains details of the Statement of Accounts for the Adur and Worthing Partnership.