

ACCOUNTS AND AUDIT REGULATIONS 2003 - CONSULTATION

1 SUMMARY

- 1.1 The purpose of this report is to advise Members of proposals contained in the above and agree a response.

2 CONSULTATION

- 2.1 The above proposed Regulations issued on the 26 September 2002 are being consulted upon and responses are required by the 9 December 2002.
- 2.2 Copies of the proposals have been placed in the Members' Rooms at the Rochford offices and Civic Suite, Rayleigh. They are also available on the Website of the Office of Deputy Prime Minister (ODPM) (www.odpm.gov.uk)
- 2.3 The proposed regulations will apply to all types of Councils. A number of the suggestions will benefit the smaller Local Councils. Comments made in this report will relate to the impact on District Councils only.

3 PROPOSALS

- 3.1 There will be a requirement for the Council to review at least once a year, the systems of internal control and to make a statement as to the adequacy of the internal control.

Officer Comment: This will tie in with the annual review, which we are already required to undertake, when we examine how we comply with Corporate Governance requirements. In addition reviews of systems are undertaken as part of the internal audit work programme and through tests of compliance by external auditors.

- 3.2 Provisions are included for the S151 Officer of the Authority to make the determination on the accounting records and control systems. At Rochford the S151 Officer is the Corporate Director (Finance & External Services).

Officer Comment: This is already accepted practice in Rochford.

- 3.3 There will be a regulation requiring all authorities to follow best practice when carrying out the internal audit vote. For Rochford this will mean complying with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

Officer Comment: We are already working to abide by the code.

- 3.4 The annual Statement of Accounts will need to comply with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

Officer Comment: We are already working to abide by this code.

- 3.5 The accounts will also need to show differences between final account figures and those shown in the Council's Best Value Plan.

Officer comment: This again will be part of the Corporate Governance and the Comprehensive Performance Assessment. Work will need to be undertaken in order to show clear links between the budget and Best Value Performance Plan.

- 3.6 At present the Council is required to publish the number of staff earning in excess of £40,000 in bands of £10,000. This will be expanded to publish the actual remuneration of the three statutory officers, plus the next five highest paid officers in the authority. Comments are requested as to whether or not Members' Allowances should be included within the accounts, or continue to be separately available.

Officer Comment: The publication of actual salaries as set out does not provide any problems. Members' Allowances have always been available and are published annually in the local press. It is therefore proposed that the accounts need only contain a statement to the effect that the information is available.

- 3.7 The new regulations will refer to gross income or expenditure as opposed to budgeted income. This is a minor tidying up measure.

- 3.8 In future the accounts will have to be signed by the Chairman of the Council or Committee that approves the accounts. Prior to the accounts being presented to Members, they will need to be signed by the Corporate Director (Finance & External Services).

Officer Comment: This is designed to ensure there is Member 'ownership' of the accounts. This again is designed to enhance Corporate Governance.

- 3.9 The deadline approval of the accounts is to be brought forward from 30 September to 31 August for 2003/04, 31 July for 2004/05 and 30 June for 2005/06. This implements the commitment in the Local Government White Paper, to align the approval of the accounts with the publication of the Best Value Performance Plan.

Officer Comment: We already bring our accounts to Members at the July Council meeting. To reduce this period by a further month will mean identifying reductions in the timetable and full co-operation from all divisions. In order to report to Council in June, the actual close down exercise needs to be complete by end May / early June.

- 3.10 Separate guidance is to be issued in respect of publishing the accounts. Some Authorities have claimed publication because the accounts were included in a Committee process. The fact that they are contained within Council reports and minutes will no longer be acceptable. At Rochford we have always undertaken separate publication.

Officer Comment: Will not be able to ascertain the full extent of the implications of these changes until such time as guidance is issued.

- 3.11 The deadline for publication of the audited accounts is to be brought forward from 31 December to 30 November 2003/04, 31 October 2004/05 and 30 September for 2005/06.

Officer Comment: This will place pressure on external Auditors as there will be far less scope for them to utilise their staff in less busy periods. Concern would be that the external firms could have a legitimate case for an increase in fees.

- 3.12 At present all records and documents pertaining to the accounts are available for inspection for 15 working days. It is proposed they be available for a year.

Officer Comment: At present we receive virtually no requests to inspect the accounts. This is therefore unlikely to cause a problem. At present, if we received a request to view documentation outside the 15 day period, we would be as helpful as possible.

- 3.13 There is a minor tidying up measure, in that any alterations made to the accounts after they have been signed, need to be reported to Council and have the consent of the Auditor.

Officer Comment: We currently do not report back changes such as presentation issues or where changes do not have an impact on the net revenue budget. This will have to be amended.

- 3.14 A minor tidying up in that information on electors' rights should be included in the advertisement announcing the conclusion of the audit.
- 3.15 The requirement to notify the auditors that certain notices have been given to electors (e.g. notices about the availability of the accounts for inspection, or about the conclusion of the audit), is to be deleted.

4 OTHER QUESTIONS

- 4.1.1 The Audit Commission wish to improve the requirement that the accounts should present a 'true and fair view', which is the case in the private sector.
- 4.1.2 This is not possible at the moment, as a number of public sector accounting requirements do not correspond to those in the private sector. The Government is therefore suggesting that until the accounting practices of public and private sector can be brought into line, then a 'true and fair view' should be deferred.

Officer Comment: The action proposed by the Government to defer until the accounts can be brought into line with 'true and fair view' requirements is to be supported.

- 4.2 Should there be separate regulations for Principal Authorities (ie., Unitary Councils, County Councils and District Councils) and Local Councils (ie., parish and town councils).

Officer Comment: It would be helpful to have separate regulations as different rules apply to the two types of Council. The difference in scale between County Council and a Parish Council are obvious and therefore the rules for each type should be clear.

- 4.3 In the majority of the Regulations, it is an offence to contravene them. There are a small number where contravention is not an offence. Views are required as to whether it should be an offence to contravene any of the Regulations.

Officer Comment: There is no reason why contravention of any of the regulations should not be an offence.

- 4.4 The government announced that grants will be available in order to properly resource the planning function. Views are required as to whether or not accounting requirements need to be included within the regulations, in order to ensure that only appropriate items of expenditure are shown, on which any grant claim is based.

The Government is of the view that the Accounts and Audit Regulations is not the most appropriate method of dealing with issues such as this.

Officer Comment: The Government view is supported that such issues should not be included in the Accounts and Audit Regulations. This type of issue should be dealt with through the accounting guidelines issued from time to time.

5 RESOURCE IMPLICATIONS

- 5.1 Other than set out in paragraphs 5.2 and 5.3 below, proposed changes of the regulations can be accommodated within existing staff resources without the need to re-arrange priorities.
- 5.2 In order to achieve the closure of accounts by 30 June, work priorities will need to be re-arranged within the Accountancy Division. This would also be necessary in other divisions that supply information for the closure of accounts process. Changes to the way the external auditors undertake their work may have an adverse effect on the fee's charged.
- 5.3 There will be costs associated with the additional requirements in respect of publicising of the accounts, but these will not be quantifiable until the guidance is issued.

6 RECOMMENDATION

It is proposed that the Committee **RESOLVES**

That the views set out in this report, together with any further Member comments, form the basis of the Council's response to the consultation.
(CD(F&ES))

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Background Papers:

Accounts and Audit Regulations 2003

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