

**AUDIT & GOVERNANCE COMMITTEE – 24 FEBRUARY 2016**  
**IMPLICATIONS OF THE ACCOUNTS AND AUDIT REGULATIONS 2015**  
**Report by the Chief Finance Officer**

**Introduction**

1. The Accounts and Audit Regulations set out requirements in relation to internal control, the exercise of public rights in relation to the accounts and rules for the preparation, approval and publication of the statement of accounts. The 2015 Regulations came into force on 1 April 2015 for financial years starting on or after that date (with some transitory provisions) and revoke and replace the 2011 Regulations.
2. The 2015 Regulations distinguish between Category 1 and Category 2 authorities for the purpose of setting out different procedures. Category 1 authorities are those with income or expenditure over £6.5m per annum and this is therefore the category which applies to the County Council. The following paragraphs only focus on the requirements for Category 1 authorities.

**Internal control**

3. The 2015 Regulations make clearer the requirement to maintain a sound system of internal control, broader than just in relation to financial control, with increased emphasis on risk management and corporate governance. It also clarifies that the scope of internal audit covers these areas, in line with proper practice.
4. As previously highlighted to the Committee, the 2015 Regulations explicitly name proper practice for internal audit as the Public Sector Internal Auditing Standards and removes the requirement for an annual review of the effectiveness of the authority's internal audit function.

**Published accounts and audit**

5. The 2015 Regulations impose a new requirement to prepare a narrative statement to be published alongside the statement of accounts and annual governance statement each year, to include comment on the authority's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.
6. The deadlines for preparing the statement of accounts and its publication are brought forward by the 2015 Regulations. The table below shows the previous and revised deadlines:

<b>Stage</b>	<b>2011 Regulations</b>	<b>2015 Regulations</b>
Chief Finance Officer to sign and date the draft statement of accounts	30 June	31 May
Publication of the statement of accounts	30 September	31 July

7. The revised deadlines take effect for the 2017/18 accounts, with transitory provisions allowing for the completion of the 2015/16 and 2016/17 accounts within existing deadlines. The revised deadline for preparing the accounts will be challenging, even with the additional planning time allowed. The aim is to complete the draft 2015/16 accounts by mid-June and the 2016/17 draft accounts by the end of May ahead of this becoming a mandatory requirement the following year. External audit will also have the challenge of managing a two month reduction in the audit timetable.
8. Following the signing of the draft accounts, the Chief Finance Officer must commence the period for the exercise of public rights (see below) and notify the local auditor of the date on which that period was commenced.
9. Where an audit of the accounts has not been concluded before the deadline for publication, the authority must publish a notice as soon as reasonably practicable on or after that date stating the reasons why, and publish the statement of accounts as soon as a report on the auditor's findings has been received. This differs from the 2011 Regulations, which required the publication of the statement of accounts by the deadline date even if the audit had not been concluded.
10. The 2015 Regulations require the published statement of accounts, annual governance statement and narrative statement to be available to members of the public for at least five years. It has been the Council's policy for several years to publish the latest and five previous year's accounts (which include the annual governance statement) on the Council's website, so this requirement is already being met.

### **Inspection and notice procedure**

11. The 2015 Regulations introduce new arrangements for the exercise of public rights in relation to the accounts. The period of inspection has been extended from 20 working days to 30 working days and this must include a specific 10 day period common to all authorities. Any rights of objection, inspection and questioning of the local auditor may only be exercised within the 30 day period.
12. The transitory provisions mean the common 10 day period is as follows:

<b>Year of account</b>	<b>Common 10 day period</b>
2015/16 and 2016/17	First 10 working days of July
2017/18 onwards	First 10 working days of June

13. Once the Chief Finance Officer has signed the draft statement of accounts they must be published along with:
  - a. A declaration signed by the Chief Finance Officer to the effect that the status of the accounts is unaudited and may be subject to change;
  - b. The annual governance statement (whether or not that has been approved by the Committee);
  - c. The narrative statement (referred to above)
  - d. A statement that sets out the period for the exercise of public rights, details of the manner in which notice should be given of an intention to inspect the accounting records and other documents, the name and address of the local auditor and details of the provisions in the Local Audit and Accountability Act 2014 regarding inspection of documents and rights to make objections.

14. The period for the exercise of public rights is treated as being commenced on the day after the requirements set out in paragraph 13 have been fulfilled. In previous years the draft statement of accounts was presented to the Committee for information ahead of the public inspection period, however this was not a requirement of the 2011 Accounts and Audit Regulations. Given the new requirements set out above it will not be possible to present the draft accounts to a meeting of the Committee before the public inspection period commences. In view of this the Committee is asked to agree to no longer receiving the draft accounts. The Committee will still receive the statement of accounts to approve in September (or earlier in accordance with the revised timetable) following the audit and Committee members will be able to access the draft statement of accounts on the website once they have been published and raise any queries with officers.
15. Similarly, the timing of the Committee receiving the annual governance statement (AGS) will need to change as a result of the requirement to publish it alongside the draft statement of accounts prior to the start of the public inspection period. For 2015/16 a draft of the AGS will be considered by the Audit Working Group on 26 May 2016 and any changes will be incorporated into the published version. The Audit & Governance Committee will not receive the draft version before it is published, however will consider and approve the final version in September. In view of this the Committee is asked to agree to no longer receiving the AGS in July. The Committee will receive some of the key independent reports that inform the AGS at its meeting in April, such as the Annual Report of the Monitoring Officer and the Fire & Rescue Service Statement of Assurance. A final draft of the Annual Report of the Chief Internal Auditor will be available for the Audit Working Group meeting in May and will be reported to the Committee in July.
16. The requirement to advertise the public inspection notice and notice of conclusion of the audit has been replaced by a requirement to publish the notices (which must include publication on the authority's website). In view of this the notices will no longer be advertised in local newspapers.

## RECOMMENDATIONS

17. **The Committee is RECOMMENDED to:**
  - (a) **note the report;**
  - (b) **agree that the draft statement of accounts will no longer be presented to the Committee for information;**
  - (c) **note that the draft Annual Governance Statement will be considered by the Audit Working Group before publication;**
  - (d) **agree that the Annual Governance Statement should only be presented once to the Committee, in its final draft for approval in September.**

**LORNA BAXTER**  
Chief Finance Officer

Background Papers: Nil

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