

NEW REGIME FOR ACCOUNTS AND AUDIT

1) INTRODUCTION

This report is to update the Parish Council in respect of legislation which will impact the way in which the Council deals with its accounts –

The Local Audit and Accountability Act 2014; and The Local Audit (Smaller Authorities) Regulations 2015

The following is a summary of the key elements:

2) THE LOCAL AUDIT AND ACCOUNTABILITY ACT 2014 brought in a new regime for the accounts and audit procedures for local authorities in England. The details are contained in the *Local Audit (Smaller Authorities) Regulations 2015* and the *Accounts and Audit Regulations 2015*. The regulations apply to accounts relating to the financial year 2015-2016 and subsequent years.

Local councils (ie town and parish councils) are ‘relevant authorities’ and are classed as ‘smaller authorities’ if their gross income and expenditure does not exceed £6.5m.

Category 1 and Category 2 Authorities

Local authorities are divided into two categories: Category 1 – gross income or expenditure is £6.5m or more.

Category 2 authorities (which are referred to as ‘smaller authorities’ in the Act) are those whose gross income and expenditure for a financial year does not exceed £6.5m (Section 6 of the Local Audit and Accountability Act 2014). There are special provisions for authorities whose gross annual income or expenditure does not exceed £25,000. These authorities are covered by the Local Audit (Smaller Authorities) Regulations 2015 (see paragraph 3 below).

The main provisions of the Accounts and Audit Regulations 2015 relating to Category 2 authorities are as follows:

Regulation 3: Responsibility for Internal Control

The Council to ensure that its internal control measures are robust.

Regulation 4: Accounting Records and Control System

This provides for the Responsible Financial Officer (RFO) to determine the accounting records and control systems of the authority.

Regulation 5: Internal Audit

This requires the authority to maintain an adequate and effective system of internal audit, taking into account public sector internal auditing standards or guidance.

Regulation 6: Review of Internal Control System

There must be an annual review of, and an annual governance statement on, the authority’s system of internal control prepared in accordance with proper practices in relation to accounts as defined in section 21 of the Local Government Act 2003. Proper practices are described in the *Governance and Accountability in Local Councils: A Practitioners’ Guide (England) (2014)*.

Regulation 11: Statement of Accounts

This requires the authority to prepare accounts as follows:

- (1) Income and expenditure account and statement of balances, in accordance with, and in the form specified by the annual return and as required by proper practices.
- (2) Where the authority's gross income or expenditure (whichever is the higher) does not exceed £200,000 for the current financial year or for either of the immediately preceding two financial years, the authority may opt to prepare accounts on a receipts and payments basis instead.

Regulation 12: Signing and Approval of Statements of Accounts

The RFO must sign and date the relevant accounts. Thereafter, the authority must consider and approve the accounts and ensure that the person presiding at the meeting at which the accounts are approved, signs the accounts.

Once the accounts have been approved, the RFO must open the accounts to public inspection and inform the auditor of the date on which the accounts are opened.

Regulation 13: Publication of Statement of Accounts and Annual Governance Statement

After the period for the public inspection of accounts has ended, but not later than 30 September of the financial year immediately after the financial year to which the accounts relate, the authority must publish the statement of accounts, any certificate of the auditor and the annual governance statement. Publication must include publication on the authority's website.

Copies must be made available for purchase at a reasonable cost and those published on the website must be available for inspection for at least five years.

Regulation 14: Period for the Exercise of Public Rights

This provides that any rights of objection, inspection and questioning of the auditor may only be exercised within a single period of 30 working days. This is from the date the audit is called until the review is concluded.

Accounts must be available for inspection at reasonable notice at reasonable times.

Regulation 15: Commencement of Period for the Exercise of Public Rights

This requires that the accounts etc. of the authority must be available for inspection during the first 10 working days of July in the financial year following that to which the accounts relate.

The RFO must ensure publication of the statement of accounts and of a statement which sets out details of the rights of public inspection and the manner in which members of the public should notify that they wish to inspect the accounts.

Regulation 16: Notice of Conclusion of Audit

As soon as reasonably practicable after the conclusion of the audit, the authority must publish a statement indicating that the audit has been concluded, publishing a statement stating that the audit has been concluded, giving details of the public's rights of inspection under S.25 of the 2014 Act.

Regulation 20: Publication of Annual Audit Letter

The annual audit letter received from the auditor must be considered by the authority and be published on the council's website. Copies must be made available for purchase by members of the public.

3) LOCAL AUDIT (SMALLER AUTHORITIES) REGULATIONS 2015

As a general rule, a smaller authority (ie a Category 2 authority) may certify itself as an exempt authority if the higher of its gross income and expenditure for the financial year does not exceed £25,000. The authority must publish its decision on its website.

Where a Council's turnover hovers around the £25,000 threshold, the Council will need to monitor the accounts carefully. There is currently no guidance on how to deal with fluctuations year-on-year on the margins of the threshold.

Where an authority has certified itself as exempt, it does not have to comply with the Accounts and Audit Regulations 2014 in most respects, but instead, will have to comply with the new Transparency Code for Smaller Authorities (authorised by the Smaller Authorities (Transparency Requirements) (England) Regulations 2015 which came into force from 1 April 2015. This requires the following information to be published annually:

(a) From April 2015 Smaller Councils should publish

- Minutes of formal meetings (including drafts of council, committee and sub-committee minutes no later than one month after the meeting).
- Full and informative agendas not later than three clear days before the meeting to which they relate (The Clerk routinely issues the agenda five clear days before each meeting which is a requirement for principal authorities only.)

(b) From July 2015 (and annually thereafter) Smaller Councils should publish

- Details of every item of spend of £100 or more (exclusive of VAT) showing the date/purpose/amount/and VAT which cannot be recovered.
- End of Year accounts as per the Annual Return.
- The annual governance statement as per the Annual Return.
- Bank reconciliation statements.
- The Internal Audit report as per the Annual Return.
- Names of councillors, their responsibilities and which committees and outside bodies they are appointed to by the Council. Other than the Chairman's role, councillors have no specific responsibilities, but the appointments to outside bodies could be used as an indication of where individual councillors have particular interests. Membership of the Neighbourhood Plan Steering Group would be appropriate to list.
- List of assets (land and buildings).

The information should be published on the website. Where councils do not have their own website, the information can be published on another organisation's website; for example, the principal authority.

(c) Councils with Annual Turnover exceeding £25,000 but not exceeding £200,000

There is no transparency code for this group of town and parish councils.

Carol Jones
Clerk
July 2015