

Agenda Item 4

Accounts & Audit (England) Regulations 2011

In January 2011 the Department for Communities and Local Government issued a consultation paper on proposals to revise and consolidate the Accounts and Audit Regulations. Following this consultation the revisions to the Regulations were agreed by Parliament on 21st March 2011 and became effective on 31st March 2011, thus applying to the preparation, approval and audit of the statement of accounts in respect of the year ending 31st March 2011.

The major impact of the revision to the Regulations is that the Council is now defined as a “smaller relevant body”, with income or expenditure being less than £6.5 million. As such the Council is now only required to prepare an annual return. Part 4 of the enclosed Regulations refers.

Annual Return

A draft copy of the e-Annual return is attached for reference. The annual return is a document consisting of four sections: Section 1-Accounting statements, Section 2-Annual governance statement, Section 3-External auditor’s certificate and opinion and Section 4-Annual internal audit report. Members are expected to approve Sections 1 and 2 for submission for audit. In doing so Members should be familiar with the requirements contained within the Regulations as they are jointly and severally legally responsible.

The Council must consider and approve the accounting statements for submission for audit by 30th June. The audited accounting statements must be published by 30th September.

External Audit-Appointment and Fees

The Council will be subject to an “intermediate audit” and the audit report issued by the external auditor will provide a limited level of assurance to the council in line with the work done and proportionate to the public money involved. A fixed fee will apply and any further work deemed necessary will incur additional fees. The fixed fee based on estimates for 2010/11 will be £3,500 as opposed to £20,000 under the full audit for a larger relevant body, with £17,000 having been proposed for 2011/12. The Council may also have to pay any costs associated with work already carried out by the Audit Commission on preparatory work for the 2010/11 accounts prior to the revisions becoming effective.

The Audit Commission has appointed BDO LLP to audit the smaller relevant bodies in Dorset and these will be appointed to Swanage for a 2 year period commencing with the accounts for the year ending 31st March 2011, which is in line with the Government’s proposed disbanding of the Audit Commission.

Under the revised Regulations the Council, by default, is expected to produce an annual return for audit. The Council could elect to prepare accounts as if they were a larger

relevant body, but in doing so the Council would then become liable to pay the full audit fees as stated above.

The Transition from FRSSE to an Annual Return

The main differences between the two codes are the capital accounting practices, which have been simplified under the new guidance. The gross book values brought forward from 2009/10 will be used as the valuation for the opening balances of the fixed assets in 2010/11. Acquisitions and disposals of fixed assets are also treated as any other purchase or sale and are recorded as part of the income or expenditure in the Annual Return. Guidance states that “Commercial concepts of depreciation, impairment and adjustments are not appropriate for local councils”. Therefore, for reporting purposes, the book value of an asset will remain constant, excepting enhancement work, until disposal.

The annual return is a very basic accounting statement and as such a more familiar income and expenditure account and balance sheet will also be produced in conjunction with this statement. However these will be for internal management purposes only and will not be produced for publication.

Action required

The Council should affirm that it will submit an Annual Return.