

By the public sector, for the public sector



Accounts and Audit Regulations 2015.

Implications on the production of the Statement of Accounts, statutory deadlines and public inspection period.

1.0 Summary

The Accounts and Audit Regulations 2015 came into force on 1st April 2015 and apply to the production of the Statement of Accounts from 2015/16 onwards. The Regulations implement the local audit arrangements set out within the Local Audit and Accountability Act 2014

There are a number of changes to statutory processes contained within the Accounts and Audit Regulations 2015. The changes to the statutory deadlines will have the most impact, and will necessitate some fundamental changes to the way the Statement of Accounts is produced.

2.0 Changes required by the Regulations

2.1 Earlier statutory deadlines

The Regulations require that the approval and publication of the Statement of Accounts is undertaken to an earlier timescale.

The current statutory deadlines are for the draft accounts to be published by 30th June, and the final approved accounts to be published by 30th September following the conclusion of the audit.

The new deadlines are as follows:

- Draft accounts to be certified by Section 151 Officer and published by **31st May**.
- Final, audited accounts to be approved by Audit and Accounts Committee, certified by the Chair of the Committee and the Section 151 Officer and published by **31st July**.

The Regulations contain a transitional period, so the above changes come into effect for the production of the **2017/18 Accounts** onwards.

2.2 Public Inspection Period

The previous set of Accounts and Audit Regulations required a public inspection to be undertaken of 20 working days, with notice given to the public at least 14 days in advance.

This has now changed and a public inspection period of 30 working days will now be required. This applies from 2015/16. The 30 days run from the date at which the unaudited accounts are ready and must include a common 10 day period as specified within the Regulations. This is so that the accounts of all Authorities will be available to the public at the same time. The Regulations contain transitional arrangements, so for 2015/16 and 2016/17 the 10 day common period is the first 10 working days of July. From 2017/18 onwards the 10 day common period will be the first 10 working days of June.

2.3 Narrative Statement

In addition to the Statement of Accounts and Annual Governance Statement, Authorities are now required to produce a Narrative Statement. This must include “comment by the Authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.” The Narrative Statement replaces the Explanatory Foreword within the Accounts document.

2.4 Access to documents

Documents relating to the published Statement of Accounts must remain accessible on the website for at least 5 years.

3.0 Implications of these changes to the Regulations

3.1 Earlier statutory deadlines

The accounts production process will have to change in order for the draft accounts to be ready by the end of May. The Authority cannot continue to produce the accounts in the same manner and meet this reduced deadline. Trying to shorten the existing processes is not going to be enough; there will need to be a fundamental change to the way that the accounts are produced.

On the face of it there will be 30 calendar days (22 working days) lost by moving the draft deadline forward a month, but in actuality it could be more than that, dependent on when the Audit and Accounts Committee meetings are scheduled. For example, if the Audit and Accounts Committee meeting were to be scheduled for the last week of May then the papers, including the Statement of Accounts, would need to be ready 10 days prior to the meeting. This would further reduce the amount of time available for accounts production. There will need to be liaison with Democratic Services so that the Committee meetings are scheduled to give the maximum amount of time for the production of the draft accounts. Holding the Committee meetings in the first week of June would be advantageous, as the draft accounts only need to be certified by the S151 Officer prior to issue to the auditors, and this can happen outside of the Committee meeting.

Regardless of when the Committee meetings are, the draft accounts would need to be largely complete by the middle of May in order to give sufficient time for review by the S151 Officer and other senior managers. This is likely to mean that there will only be six or seven weeks from year end for the accounts to be fully finished. Easter often falls during this period, which can impact on the availability of some staff across the business. For 14-15 the CCC draft accounts were finished in the last week of June.

It should also be noted that whilst the statutory deadlines are changing, the content required within the accounts is not.

Under the current year end process the first couple of weeks of April are focused on getting all the accruals, adjustments and recharges in from the service areas in order to finalise the outturn position. The rest of April is largely taken up with Finance staff making adjustments. Capital adjustments and recharges go through in early May, followed by the apportionment of overheads. Final ledger adjustments are processed towards the end of May. There are large sections of the accounts that cannot be completed until the ledger has stopped moving and the figures can be finalised. The Authority cannot continue to use the same processes and meet the reduced timescales.

In order to close the ledger earlier there needs to be a move away from doing everything based on actuals, towards calculating accruals and recharges based on estimates. This will be a change for budget managers who will be used to their existing processes, which have become embedded over a number of years. Support will be needed from across Finance to explain and reinforce any changes.

An increased use of estimates should not have a material impact on the accounts, but it will need to be discussed in detail with the external auditors, as they will need to be comfortable with the estimates that are used.

A higher proportion of the accounts will need to be written/prepared prior to year end. There will also need to be consideration with how the accounts production process dovetails with the year end outturn process. Outturn report dates may need to be moved forward in line with the reduced timescales, as the outturn position needs to be quoted within the accounts.

The reduction to the deadlines will cut 61 calendar days (42 working days) from the time available for the audit. This is likely to mean that the auditors will have to undertake their work in a slightly different way. It's also likely to mean that the audit will need to start earlier. Potentially some areas of the accounts will need to be audited prior to the draft accounts being finished. This is something that will need to be discussed with the auditors.

The reduced timescales give less contingency time for audit overruns. Whilst it can be hoped that the reduced timescales will force Authorities and auditors to resolve outstanding queries more quickly, it may also increase the chances of overruns going past the statutory deadline.

3.2 Public Inspection Period

This change should have less of an impact. Finance staff will need to be available for a longer period of time, but the amount of work involved in the public inspection is largely dependent on the number of enquires received from members of the public and that will remain the case.

The public inspection will need to start the day after the draft accounts are published. This means that all working papers will need to be complete by this date. This is another reason why the production of the accounts will need to start earlier in the year.

3.3 Narrative Statement

The requirements of this statement are similar to those of the previous Explanatory Foreword, so the impact of this is minimal.

3.4 Access to documents

No changes will be required to current processes, as documents are already available on the Committee pages of the website going back a number of years.

RECOMMENDATION

The Committee is asked to note and comment on the report.

Appendix 1 – Summary of changes

Appendix 2 – Comparison of timescales

Background Documents: Accounts and Audit Regulations 2015 see the following link:

http://www.legislation.gov.uk/uksi/2015/234/pdfs/uksi_20150234_en.pdf

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Appendix 1 – Summary of changes



Area	Changes	Transitional arrangements	Impact
Statutory Deadlines	<p>Draft accounts to be certified by Section 151 Officer and published by 31st May.</p> <p>Final, audited accounts, approved by Audit Committee, certified by the Chair of the Committee and the Section 151 Officer and published by 31st July.</p>	<p>Applies from 17-18 onwards.</p> <p>SoA for 15-16 and 16-17 to be prepared to existing timescales.</p>	<p>Committee dates will need to be scheduled around the new deadlines.</p> <p>Less time available to prepare the SoA. Preparation will need to begin further ahead of year end.</p> <p>More of the accounts will need to be based upon estimates, rather than actuals. (Eg accruals and recharges).</p> <p>Audit may need to start before the draft accounts are finished. Less time available for audit overruns.</p> <p>Potential impact on outturn monitoring timetable.</p>
Public Inspection	<p>30 day inspection period now required.</p> <p>Must include a 10 day period common to all Authorities nationally.</p> <p>Inspection period required to start as soon as the draft SoA has been published.</p>	<p>For 15-16 and 16-17 the inspection period must include the first 10 working days of July.</p> <p>For 17-18 onwards the inspection period must include the first 10 working days of June.</p>	<p>Impact is dependent on the number of enquires required from members of the public.</p> <p>Finance staff will need to be available for a longer period of time, which could impact on their availability to undertake other tasks.</p> <p>All working papers need to be ready for the date that the draft SoA is published.</p>
Narrative Statement	<p>Statement now required to be produced that summarises the Authority's financial performance during the year, and how it has secured economy, efficiency and effectiveness in its use of resources.</p>	<p>None – applies from 15-16 onwards.</p>	<p>Low. Replaces the explanatory foreword within the SoA and the content is similar.</p>

Access to documents	Documents relating to SoA must remain accessible for 5 years on the Authority's website	None – applies from 15-16 onwards.	Minimal. Historic documents are already available through the Committee pages of the website
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Appendix 2 – Comparison of timescales

Previous timescales:


March	Apr	May	June	July	Aug	Sept
Prepare draft accounts				Audit period		
Year end 31 st Mar			Publish draft accounts 30 th June	Public Inspection. 20 working days of Authority's choosing.		Publish final accounts 30 th Sept


Transitional timescales: (2015-16 and 2016-17)

March	Apr	May	June	July	Aug	Sept
Prepare draft accounts				Audit period (move forward voluntarily)		
Year end 31 st Mar			Publish draft accounts 30 th June	Public Inspection. 30 working days. Must include first 10 days of July.		Publish final accounts 30 th Sept

New timescales: (2017-18 onwards)

March	Apr	May	June	July	Aug	Sept
Prepare draft accounts			Audit period			
Year end 31 st Mar		Publish draft accounts 31st May	Public Inspection. 30 working days. Must include first 10 days of June.			
				Publish final accounts 31st July		


 Reduction
of at least
22
working
days


 Reduction of 42
working days