

**TYNE AND WEAR ECONOMIC DEVELOPMENT JOINT COMMITTEE -
20th June 2012**

Statement of Accounts and Annual Return 2011/2012 (Subject to Audit)

Report of the Treasurer

1. PURPOSE OF REPORT

- 1.1 To provide an Annual Return and Statement of Accounts for 2011/2012 (subject to audit), for approval by the Joint Committee in accordance with current regulations.
- 1.2 As the Joint Committee is defined in the Accounts and Audit Regulations as a smaller relevant body it is as such exempt from preparing a Statement of Accounts under the Statement of Recommended Practice (SORP). It is, however, required to produce an Annual Return prepared in accordance with proper practices in relation to the accounts. This means that the provisions of the 'Code of Practice on Local Authority Accounting in the United Kingdom:2011' published by the Chartered Institute of Public Finance and Accountancy (CIPFA) will be relevant, to the extent that they are not overridden or made redundant by statutory requirements.

2 DESCRIPTION OF THE DECISION

Members are recommended to:

Approve the Annual Return (Subject to Audit) and the supporting Statement of Accounts (Subject to Audit) for the financial year ended 31st March 2012.

3 BACKGROUND

- 3.1 Under the Accounts and Audit Regulations 2003, as amended in 2011, the Government required local authorities to produce their Statement of Accounts and/or Annual Return earlier each year from 2003/2004. From 2005/2006 the Statement of Accounts/Annual Return has been required to be produced and approved by 30th June of each year (subject to audit) and the audited statements by 30th September of each year.
- 3.2 Since 2005/2006 the Joint Committee has been categorised as a smaller relevant body for audit purposes because its gross income and its gross expenditure levels were consistently below £1 million for the financial year in question. The government increased this threshold limit of £1 million to £6.5 million and also set out some other new requirements that smaller bodies must follow from the 2010/2011

accounting year, which were set out in the revised Accounts and Audit Regulations 2011 published last year.

3.3 For information the main changes were:

The limit to qualify as a smaller body was raised from £1 million to £6.5 million;

The accounts subject to audit need to be approved by 30th June of each year;

The approval in June was clarified to mean that the Joint Committee is approving the accounts and annual report submitted to the external auditors and is, not as such, final approval of the accounts which will take place on or before 30th September of each year;

The explicit requirement to review the effectiveness of internal audit was removed for smaller bodies, but this review should still be considered as part of the overall review of internal controls that must be carried out annually as part of the Annual Governance Statement;

Smaller bodies now have the option of making the financial documents and records available at 'reasonable times' during the 20 day notice period. The Joint Committee therefore does not need to display the times and days the records are to be made available on the notice but must provide electors with a phone number to contact the relevant officer and then provide as appropriate the necessary details. If the contact information can be made available on a website then this would save on advertising costs and still complies with the new regulations. The Joint Committee however still displays the notice appropriately as it does not have a website.

3.4 Smaller relevant bodies in England must have their accounts approved by 30th June for audit purposes and they must also complete an Annual Return summarising their annual activities at the completion of each financial year in accordance with the Accounts and Audit Regulations 2003 as amended in 2011. Members however remain responsible for ensuring that financial management is adequate and effective and that the body has a sound system of internal controls and that effective governance arrangements are in place. This duty is dealt with in Section 2 of the Annual Return and a separate report dealing with this specific area is included on today's agenda.

3.5 The Annual Return (Appendix 1a) reflects the Statement of Accounts (Appendix 1b) as presented to Committee and is divided into several sections. These include:

Section 1 requires sign off by the Chairman to confirm the accounts have been approved subject to audit by the Joint Committee.

Section 2 requires sign off by both the Chairman and Clerk to the Joint Committee to acknowledge that the governance requirements have been properly followed and reported.

Section 3 is the external auditor's certificate and opinion, and

Section 4 relates to work completed by the internal audit service, which has already been carried out and has found no issues with the financial statement.

4. REASONS FOR DECISION

- 4.1 The Audit Commission was replaced by BDO Stoy Haward LLP (Chartered Accountants) from 1st April 2007, as the Joint Committee's external auditors, and they are required to agree a date for the commencement of their audit of the Statement of Accounts which they must complete by 30th September 2012 this year in accordance with the smaller relevant bodies regulations.
- 4.2 The Auditors now known as BDO LLP can only commence the audit once the Joint Committee has formally approved the Annual Return (Subject to Audit) and that the appropriate statutory notice of inspection of the Annual Return (accounts) has been given to the residents of Tyne and Wear.
- 4.3 The Statutory Notice of the audit of the accounts consists of two requirements: the first requirement is that a Notice must be advertised in an appropriate form 14 days before the period of inspection is to commence; the second requirement is that the period of inspection must span 20 working days as set out in the published Notice. During the inspection period the residents of Tyne and Wear have the right to inspect the accounts and financial records of the Joint Committee and can raise issues with the auditor if they so wish. The audit date determined by the auditor follows the end of the period of inspection and it is on this date that the residents of Tyne and Wear can raise any objections to the accounts with them.
- 4.4 This date has been appointed by the Auditors as 13th July 2012 and Appendix 2 sets out for members information, the timetable applicable for the 2011/2012 Annual Return.

