

**TYNE AND WEAR ECONOMIC DEVELOPMENT JOINT COMMITTEE -  
24th June 2011**

**Annual Return and Accounts for 2010/2011 (Subject to Audit)**

**Report of the Treasurer**

**1. PURPOSE OF REPORT**

- 1.1 To provide an Annual Return and Accounts for 2010/2011, for approval by the Joint Committee.
- 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:2010' 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 Accounts for the financial year ended 31<sup>st</sup> March 2011.

**3 BACKGROUND**

- 3.1 Under the Accounts and Audit Regulations 2003 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 30<sup>th</sup> June of each year (subject to audit) and the audited statements by 30<sup>th</sup> 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 are below £1 million for the financial year in question (i.e. 2010/2011) as well as for either of the two immediately preceding years (i.e. 2008/2009 and 2009/2010). However the government has recently increased the threshold limit of £1 million to £6.5 million and has also set out some other new requirements that

smaller bodies must follow for the 2010/2011 accounting year, which were all included in their revised Accounts and Audit Regulations 2011.

3.3 The details of the main changes are set out below for information:

The limit to qualify as a smaller body has been raised from £1 million to £6.5 million as already described above;

The approval in June has been clarified to mean that the Joint Committee is approving the accounts and annual report submitted to the auditors and is, not as such, final approval of the accounts which takes place on or before 30<sup>th</sup> September of each year;

The explicit requirement to review the effectiveness of internal audit has been removed for smaller bodies, however this review should be considered as part of the overall review of internal controls that must be carried out annually;

Smaller bodies also 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 yet would still comply with the new regulations. The Joint Committee however displays the notice appropriately as it does not have a website.

3.4 Smaller relevant bodies in England must have their accounts approved by 30<sup>th</sup> 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. Members 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.

3.5 The Annual Return (Appendix 1) reflects the Accounts 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.

- 3.6 The Accounts and Audit Regulations 2003 (Amendment) (2006) were introduced with effect from 1<sup>st</sup> April 2006 and this brought with it two additional requirements to those charged with governance. These were covered in the Annual Return in Section 2 of the form. This meant that the Joint Committee was required to review both the effectiveness of internal audit and must also review the system of internal control which informs the Annual Governance Statement. The effectiveness of internal audit is now not required (as set out in 3.4 above) but is now included as part of the Annual Governance Statement considerations which is a separate report on this agenda dealing with the compilation and approval of the Annual Governance Statement, which for ease of reference remains part of the accounts for the Joint Committee.

#### **4. REASONS FOR DECISION**

- 4.1 The Audit Commission was replaced by BDO Stoy Haward LLP (Chartered Accountants) from 1<sup>st</sup> 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 2011 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 22nd July 2011 and Appendix 2 sets out for members information, the timetable applicable for the 2010/2011 Annual Return.

