



07 March 2011

Our ref: ICAEW Rep 24/11

Your ref:

Graham Fletcher
Department for Communities and Local Government
Zone 5/J5, Eland House
Bressenden Place,
London SW1E 5DU

Dear Graham

REVISION AND CONSOLIDATION OF THE ACCOUNTS AND AUDIT REGULATIONS 2003 (SI 2003 NO 533) AS AMENDED.

The ICAEW is pleased to respond to your request for comments on the Department for Communities and Local Government's consultation on the *Revision and consolidation of the Accounts and Audit Regulations 2003 (SI 2003 No 533) as amended*.

Please contact me if you wish to discuss any of the points raised in the attached response.

Yours sincerely

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ICAEW REPRESENTATION

REVISION AND CONSOLIDATION OF THE ACCOUNTS AND AUDIT REGULATIONS 2003 (SI 2003 NO 533) AS AMENDED.

Memorandum of comment submitted in March 2011 by ICAEW, in response to the Department for Communities and Local Government's consultation on the revision and consolidation of the Accounts and Audit Regulations 2003 (SI 2003 no 533) as amended.

Contents	Paragraph
Introduction	1
Who we are	2 - 3
Major points	4 - 12

INTRODUCTION

1. ICAEW welcomes the opportunity to comment on the Department for Communities and Local Government's consultation on the *Revision and consolidation of the Accounts and Audit Regulations 2003 (SI 2003 No 533) as amended*.

WHO WE ARE

2. ICAEW operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council. As a world leading professional accountancy body, we provide leadership and practical support to over 134,000 members in more than 160 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. We are a founding member of the Global Accounting Alliance with over 775,000 members worldwide.
3. Our members provide financial knowledge and guidance based on the highest technical and ethical standards. They are trained to challenge people and organisations to think and act differently, to provide clarity and rigour, and so help create and sustain prosperity. We ensure these skills are constantly developed, recognised and valued.

Our comments

Support for the initiative

4. ICAEW is supportive of the proposed changes outlined in the consultation paper, in particular the aim to make the regulations easier to understand and the separation of provisions on the annual accounts for smaller and larger relevant bodies. We are also supportive of the increase of the smaller relevant body threshold to £6.5million as this brings the threshold into line with that applied to smaller companies. We are also supportive of the move to restate the regulations to assist in the development of the relevant bodies financial management and reporting framework which will, in turn, help in the development of the new audit framework.

Increase in threshold

5. However, in our view, the increase in threshold change comes at quite a late stage for implementation for the 2010/2011 financial year. In our view, the timing is too tight and the proposed timetable raises practical issues for both the bodies concerned and for auditors. Both parties will have incurred costs: the affected bodies will have planned for and perhaps started preparations for accounting statements for the current financial year; and auditors will already have undertaken planning and perhaps some interim audit work for their upcoming audits. We are also concerned that not all smaller relevant bodies (between £1m and £6.5million) will be able to produce an annual return within the timescales, and indeed, it may not always be appropriate to do this for those with significant assets.
6. Our view, therefore, is that the effective date for this proposal should be 1 April 2011 (or the 2011/2012 financial year) enabling bodies and auditors to plan for and implement the effect of the changes appropriately.

Approval and publication of final accounts

7. We note the requirement (in paragraph 5.2) for larger relevant bodies to approve accounts before finalisation of the audit opinion and certificate. We also note that DCLG has stopped short of specifying this in the regulations. In our view, this should be made explicit in the requirements.
8. It would also be helpful to clarify that final member approval should be after consideration of audit findings in the report to those charged governance, which would normally be considered

at an audit committee (where one exists) who would then recommend to the council that accounts can be approved.

9. In our view, formal approval of the accounts should be a full member responsibility (in the same way that boards approve accounts in the private sector) and would suggest that reference to a committee should be deleted.
10. If members do not approve the accounts before 30 June, we recommend that the regulations include a requirement that the accounts made available for public inspection be marked as 'draft' and 'unaudited' for clarity purposes.

Detailed regulations

11. In our view, currently regulation 14 (2) as drafted is confusing. Our recommendation would be for it to be combined with regulation 14 (1) and all smaller relevant bodies were required to make the records available for 20 working days at reasonable notice.
12. In paragraph 9.2 of the consultation, there is reference to the statement of internal control. Should this reference now be to the annual governance statement?

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