

## New Governance and Accountability Guide

### What is in this for local councils?

In the midst of audit season, councils will be interested to know that new guidance, *Governance and Accountability for Smaller Authorities in England, A Practitioners' Guide to Proper Practices to be applied in the preparation of statutory annual accounts and governance statements March 2016*, has been published. Councils will be aware that this is essential reference material for councillors, clerks, Responsible Finance Officers and any council staff who have a financial management role.

Councils should not be too concerned that the appearance of the Guide is late for application for the accounting practice and Annual Returns currently underway as it is optional whether to apply it for 2015-2016. Councils can still refer to the predecessor *Governance and Accountability (England) - Practitioners Guide 2014* for the 2015-2016 accounts. It has apparently been published now as some councils wanted to choose to apply it to 2015-16.

The 2016 Guide will apply to the 2016-17 accounts from which time compliance with Sections 1, 2 and 3 will be mandatory. This is because these sections represent the proper accounting and governance practices ('proper practices') referred to in statute (see Accounts and Audit Regulations 2015 made under the Local Audit and Accountability Act 2014). These set the obligatory standards for financial and governance reporting for local councils and other smaller authorities.

It is important to appreciate that this Guide applies to all local councils. For this purpose, under s.6 of the 2014 Act, an authority is a 'smaller authority' if the higher of the authority's gross income for the year and its gross expenditure for the year does not exceed £6.5 million. This is different from the smaller authority definition for the Transparency Code which is for councils not exceeding a turnover of £25,000 (as provided for by section 5 of the 2014 Act).

Councils should note that Section 4 and 5 of the 2016 Guide are not 'proper practices'. Section 4 of the Guide sets out the non-statutory guidance relating to internal audit which authorities are required to take into account. Section 5 of the Guide (not yet issued) will provide supporting information and practical examples to assist smaller authorities to manage their governance and financial affairs. As Section 5 is not mandatory, any councils deciding to follow the Guide for the 2015-16 accounts should not be concerned about the absence of this section.

County Associations will continue to make the 2014 Guide available to local councils throughout 2016. Councils should note that the 2016 Guide will have a short application period as a replacement 2017 version is expected for the 2017-18 accounts in due course.

The 2016 Guide has a significantly revised format to follow more closely the layout of the annual return. It aims to clarify what are the required proper practices that smaller authorities need to follow in completing their annual return. It has also been updated to reflect changes in legislation affecting smaller authorities. However, councils should note that assurances have been provided that 'the content is actually not greatly changed.'

**Date:** 2016 Guide mandatory for 2016-17 accounts

**References to local councils:** Applied to local councils throughout

**Pages:** 29

#### References

The Accounts and Audit Regulations 2015 can be found at

[http://www.legislation.gov.uk/uksi/2015/234/pdfs/uksi\\_20150234\\_en.pdf](http://www.legislation.gov.uk/uksi/2015/234/pdfs/uksi_20150234_en.pdf)

The Local Audit and Accountability Act 2014 can be found at <http://www.legislation.gov.uk/ukpga/2014/2/contents>

The new Annual Return for 2015-16 is provided with this LAIS for information, although external auditors will send the Annual Return forms to councils direct.

The 2014 and 2016 versions of the Guide are available through your local Association.