



# Local Democracy, Economic Development and Construction Act 2009

## 2009 CHAPTER 20

### PART 2

#### LOCAL AUTHORITIES: GOVERNANCE AND AUDIT

#### CHAPTER 1

#### GOVERNANCE

### 31 Scrutiny officers

In the [Local Government Act 2000 \(c. 22\)](#), after section 21 insert—

#### “21ZA Scrutiny officers

- (1) Subject as follows, a local authority in England must designate one of their officers to discharge the functions in subsection (2).
- (2) Those functions are—
  - (a) to promote the role of the authority’s overview and scrutiny committee or committees;
  - (b) to provide support to the authority’s overview and scrutiny committee or committees and the members of that committee or those committees;
  - (c) to provide support and guidance to—
    - (i) members of the authority,
    - (ii) members of the executive of the authority, and
    - (iii) officers of the authority,in relation to the functions of the authority’s overview and scrutiny committee or committees.

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- (3) An officer designated by a local authority under this section is to be known as the authority’s “scrutiny officer”.
- (4) A local authority may not designate any of the following under this section—
  - (a) the head of the authority’s paid service designated under section 4 of the Local Government and Housing Act 1989;
  - (b) the authority’s monitoring officer designated under section 5 of that Act;
  - (c) the authority’s chief finance officer, within the meaning of that section.
- (5) The duty in subsection (1) does not apply to a district council for an area for which there is a county council.
- (6) In this section, references to an overview and scrutiny committee include any sub-committee of that committee.”

### **32 Joint overview and scrutiny committees**

- (1) In the Local Government and Public Involvement in Health Act 2007 (c. 28), for section 123 (joint overview and scrutiny committees: local improvement targets) substitute—

#### **“123 Joint overview and scrutiny committees**

- (1) The Secretary of State may by regulations make provision under which any two or more local authorities in England may—
  - (a) appoint a joint committee (a “joint overview and scrutiny committee”), and
  - (b) arrange for the committee to exercise any functions in subsection (2).
- (2) The functions in this subsection are functions of making reports or recommendations to—
  - (a) any of the local authorities appointing the committee (the “appointing authorities”), or
  - (b) if any of the appointing authorities is a non-unitary district council, the related county council,
 about any matter which is not an excluded matter.
- (3) In subsection (2) “excluded matter” means any matter with respect to which a crime and disorder committee could make a report or recommendations—
  - (a) by virtue of subsection (1)(b) of section 19 of the Police and Justice Act 2006 (local authority scrutiny crime and disorder matters), or
  - (b) by virtue of subsection (3)(a) of that section.
- (4) In subsection (2) references to making reports or recommendations to a local authority include, in the case of a local authority operating executive arrangements under Part 2 of the Local Government Act 2000, making reports or recommendations to its executive.
- (5) Regulations under this section may in particular—
  - (a) provide for arrangements to be made only in circumstances, or subject to conditions or limitations, specified in the regulations;

- (b) in relation to joint overview and scrutiny committees, make provision applying, or corresponding to, any provision of—
    - (i) section 21(4) and (6) to (12) of the Local Government Act 2000,
    - (ii) sections 21A to 21D of that Act, or
    - (iii) section 246 of, and Schedule 17 to, the National Health Service Act 2006,with or without modifications;
  - (c) make provision as to information which an associated authority of any appointing authority must provide, or may not disclose, to a joint overview and scrutiny committee (or, if the regulations make provision for the appointment of sub-committees of such a committee, to such a sub-committee).
- (6) In subsection (5)(c) “associated authority”, in relation to any appointing authority, means—
- (a) in the case of an appointing authority which is a non-unitary district council—
    - (i) the related county council, and
    - (ii) any person who is a partner authority in relation to the related county council;
  - (b) in the case of any other appointing authority, any person who is a partner authority in relation to the appointing authority.
- (7) In subsection (6) “partner authority” has the same meaning as in Chapter 1 of this Part except that it does not include a police authority or a chief officer of police.
- (8) Regulations under this section may not make provision of a kind mentioned in subsection (5)(c) with respect to information in respect of which provision may be made in exercise of the power conferred by section 20(5)(c) or (d) of the Police and Justice Act 2006 (guidance and regulations regarding crime and disorder matters).
- (9) Any local authority and any joint overview and scrutiny committee must, in exercising or deciding whether to exercise any function conferred on it by or under this section, have regard to any guidance issued by the Secretary of State.
- (10) In this section—
- “local authority” has the same meaning as in Part 2 of the Local Government Act 2000;
  - “non-unitary district council” means a district council for a district in a county for which there is a county council (and the “related county council”, in relation to a non-unitary district council, means that county council).”
- (2) In section 21 of the [Local Government Act 2000 \(c. 22\)](#) (overview and scrutiny committees), in subsection (2A)(e), for the words from “(joint” to the end substitute “(joint overview and scrutiny committees) appointed by two or more local authorities including the authority concerned”.

**33 Powers of National Assembly for Wales**

(1) Schedule 5 to the [Government of Wales Act 2006 \(c. 32\)](#) (Assembly measures) is amended as follows.

(2) In Part 1, after the heading “*Field 12: local government*”, after the entry relating to Matter 12.5 insert—

“*Matter 12.6*

Arrangements by principal councils with respect to the discharge of their functions, including executive arrangements.

This matter does not include—

- (a) direct elections to executives of principal councils, or
- (b) the creation of a form of executive requiring direct elections.

For the purposes of this matter—

- (a) “executive arrangements” has the same meaning as in Part 2 of the Local Government Act 2000;
- (b) “principal council” means a county or county borough council;
- (c) “direct elections” means elections by local government electors (within the meaning of section 270(1) of the Local Government Act 1972).”

(3) In that Part, after the entry relating to Matter 12.6 (as inserted by subsection (2) above) insert—

“*Matter 12.7*

Committees of principal councils with functions of—

- (a) review or scrutiny, or
- (b) making reports or recommendations.

This matter does not include committees under section 19 of the Police and Justice Act 2006 (crime and disorder committees).

For the purposes of this matter “principal council” means a county or county borough council.”

## CHAPTER 2

### MUTUAL INSURANCE

**34 Mutual insurance**

(1) Subject as follows, a qualifying authority may —

- (a) become a member of a body corporate—
  - (i) all of whose objects fall within the objects specified in subsection (2), and
  - (ii) all of whose members are qualifying authorities, and
- (b) do anything that is required by, or is conducive or incidental to, membership of any such body.

(2) The objects referred to in subsection (1)(a)(i) are—

- (a) to provide insurance, in relation to risks of any description, to—

- (i) qualifying authorities who are members of the body corporate, and
    - (ii) persons prescribed in regulations made by the appropriate national authority,
  - (b) to enter into arrangements under which such insurance is provided to—
    - (i) qualifying authorities who are members of the body corporate, and
    - (ii) persons prescribed in regulations made by the appropriate national authority, and
  - (c) to do anything that is required by, or is conducive or incidental to, the provision of any such insurance or entering into any such arrangements.
- (3) The power of a qualifying authority under subsection (1)(b) includes in particular power—
  - (a) to pay premiums and make other payments to the body corporate;
  - (b) to agree to make any such payments;
  - (c) to assume financial obligations in relation to persons prescribed for the purposes of subsection (2)(a)(ii) or (b)(ii).
- (4) The appropriate national authority may by regulations impose restrictions or conditions on the exercise of any power conferred on a qualifying authority by subsection (1).
- (5) A qualifying authority must, in exercising the powers conferred by subsection (1), have regard to—
  - (a) any guidance issued by the appropriate national authority, and
  - (b) any guidance or document specified in regulations made by the appropriate national authority.
- (6) The appropriate national authority may by regulations amend this Chapter for the purposes of changing the authorities which are for the time being qualifying authorities for the purposes of this section.

### **35 Mutual insurance: supplementary**

- (1) This section applies for the purposes of section 34.
- (2) A qualifying authority is—
  - (a) a county council in England;
  - (b) a district council in England;
  - (c) a London borough council;
  - (d) the Common Council of the City of London in its capacity as a local authority;
  - (e) the Greater London Authority so far as it exercises its functions through the Mayor;
  - (f) the Council of the Isles of Scilly;
  - (g) a county council in Wales;
  - (h) a county borough council in Wales;
  - (i) a National Park authority;
  - (j) the Broads Authority;
  - (k) a police authority;
  - (l) a fire and rescue authority not falling within paragraphs (a) to (h);

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- (m) a joint waste authority established under section 207(1) of the [Local Government and Public Involvement in Health Act 2007 \(c. 28\)](#);
  - (n) a waste disposal authority established under section 10 of the [Local Government Act 1985 \(c. 51\)](#);
  - (o) an Integrated Transport Authority;
  - (p) Transport for London;
  - (q) the London Development Agency;
  - (r) an economic prosperity board established under section 88 or a combined authority established under section 103.
- (3) The “appropriate national authority” means—
- (a) the Secretary of State, in relation to England;
  - (b) the Welsh Ministers, in relation to Wales.
- (4) Regulations under section 34 are to be made by statutory instrument.
- (5) A statutory instrument containing regulations under subsection (2), (4) or (5)(b) of that section is subject to annulment in pursuance of a resolution of—
- (a) either House of Parliament (in the case of regulations made by the Secretary of State);
  - (b) the National Assembly for Wales (in the case of regulations made by the Welsh Ministers).
- (6) A statutory instrument containing regulations under subsection (6) of that section may not be made unless a draft of the instrument has been laid before, and approved by a resolution of—
- (a) each House of Parliament (in the case of regulations made by the Secretary of State);
  - (b) the National Assembly for Wales (in the case of regulations made by the Welsh Ministers).

### CHAPTER 3

#### AUDIT OF ENTITIES CONNECTED WITH LOCAL AUTHORITIES

##### *Preliminary*

## 36 Overview

- (1) This Chapter makes provision for an audit authority to appoint a person to carry out audit functions in relation to a relevant entity in circumstances where it appears to the authority that the entity is or will be a qualifying English or Welsh local authority entity.
- (2) For the purposes of this Chapter, each of the following is an “audit authority”—
- (a) the Audit Commission;
  - (b) the Auditor General for Wales.
- (3) In this Chapter, “relevant entity” means—
- (a) a company,

- (b) a limited liability partnership, or
  - (c) an industrial and provident society.
- (4) In this Chapter, “qualifying English local authority entity” means a relevant entity which—
- (a) is connected with a local authority in England, and
  - (b) meets such other conditions as the Secretary of State may by regulations specify.
- (5) In this Chapter, “qualifying Welsh local authority entity” means a relevant entity which—
- (a) is connected with a local authority in Wales, and
  - (b) meets such other conditions as the Welsh Ministers may by regulations specify.
- (6) In this Chapter, “local authority” means any body which—
- (a) is a local authority for the purposes of section 21 of the [Local Government Act 2003 \(c. 26\)](#) (see subsection (6) of that section and section 23 of that Act), and
  - (b) is required to prepare statements of accounts by regulations made under section 27 of the [Audit Commission Act 1998 \(c. 18\)](#) or section 39 of the [Public Audit \(Wales\) Act 2004 \(c. 23\)](#).

### **37 Notification duties of local authorities**

- (1) Where it comes to the attention of a local authority in England that—
- (a) a relevant entity which is connected with the authority meets the conditions referred to in section 36(4)(b),
  - (b) a relevant entity which is connected with the authority has ceased to meet those conditions, or
  - (c) a relevant entity which meets those conditions has ceased to be connected with the local authority,
- the authority must notify the entity and the Audit Commission accordingly.
- (2) Where it comes to the attention of a local authority in Wales that—
- (a) a relevant entity which is connected with the authority meets the conditions referred to in section 36(5)(b),
  - (b) a relevant entity which is connected with the authority has ceased to meet those conditions, or
  - (c) a relevant entity which meets those conditions has ceased to be connected with the local authority,
- the authority must notify the entity and the Auditor General for Wales accordingly.
- (3) Notification under this section must be within the period of 21 days beginning with the day on which the matter comes to the attention of the local authority.

#### *Power to appoint auditor*

### **38 Power to appoint auditor**

- (1) Subject to this Chapter, an audit authority may appoint a person to carry out audit functions in accordance with this Chapter in relation to a relevant entity.

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- (2) An appointment under this section is to be for a financial year of the entity.
- (3) An appointment under this section must be made—
  - (a) before the start of the financial year to which it relates, or
  - (b) in the case of an appointment for the first financial year of the entity, before whichever is the earlier of—
    - (i) the end of that financial year, and
    - (ii) the end of the period of three months beginning with the day on which the audit authority receives notification in relation to the entity under section 37(1)(a) or (2)(a).
- (4) The Audit Commission may make an appointment under this section if (and only if) it appears to the Audit Commission that—
  - (a) the entity will be a qualifying English local authority entity at the start of the financial year for which the appointment is made, or
  - (b) in the case of an appointment for the first financial year of the entity, the entity is a qualifying English local authority entity when the appointment is made.
- (5) The Auditor General for Wales may make an appointment under this section if (and only if) it appears to the Auditor General that—
  - (a) the entity will be a qualifying Welsh local authority entity at the start of the financial year for which the appointment is made, or
  - (b) in the case of an appointment for the first financial year of the entity, the entity is a qualifying Welsh local authority entity when the appointment is made.
- (6) Before making an appointment under this section in relation to an entity the appointing audit authority must consult the entity.
- (7) Where one audit authority (“the first audit authority”) proposes to appoint a person under this section in relation to an entity for a financial year in circumstances where the other audit authority could also make an appointment under this section in relation to that entity for that year—
  - (a) the first audit authority must consult the other audit authority, and
  - (b) the first audit authority may not make the appointment for that entity for that year if the other audit authority has already done so.
- (8) After making an appointment under this section in relation to an entity the appointing audit authority must notify the local authority with which the entity is connected.

### **39 Power to appoint replacement auditor**

- (1) Where a person appointed by an audit authority under this Chapter in relation to an entity for a financial year dies, is dismissed or is unable or unwilling to act, the audit authority may (subject to this Chapter) appoint a replacement in relation to that entity for that financial year.
- (2) Before making an appointment under this section the audit authority must consult the entity.
- (3) After making an appointment under this section the audit authority must notify the local authority with which the entity is connected.



## 40 Exclusions

- (1) An audit authority may not make an appointment under this Chapter in relation to an entity for a financial year if, by virtue of this section, the entity is exempt from audit for that year.
- (2) A company is exempt from audit under this Chapter for a financial year if it appears to the appointing audit authority that, for the purposes of Part 16 of the [Companies Act 2006 \(c. 46\)](#), the company is or will be exempt from audit under that Part for that year.
- (3) A limited liability partnership is exempt from audit under this Chapter for a financial year if it appears to the appointing audit authority that, for the purposes of Part 16 of the [Companies Act 2006](#) (as that Part applies to limited liability partnerships), the partnership is or will be exempt from audit under that Part for that year.
- (4) An industrial and provident society is exempt from audit under this Chapter for a financial year if it appears to the appointing audit authority that subsection (1) of section 4 of the [Friendly and Industrial and Provident Societies Act 1968 \(c. 55\)](#) does not or will not apply to the society for that year by virtue of subsection (2) of that section or section 4A(1) of that Act.
- (5) Subsection (1) does not apply if the entity requests the audit authority to make the appointment.

### *Auditors*

## 41 Eligibility for appointment

- (1) A person appointed under this Chapter may be—
  - (a) a member of staff of the appointing audit authority;
  - (b) an individual who is not a member of staff of that authority;
  - (c) a firm.
- (2) The following may not be appointed under this Chapter in relation to an entity—
  - (a) an individual or firm who for the purposes of section 1212 of the [Companies Act 2006 \(c. 46\)](#) is not eligible for appointment as a statutory auditor, or
  - (b) an individual or firm who by virtue of section 1214 of that Act (independence requirement) may not act as statutory auditor in relation to that entity.
- (3) In this section “firm” means any entity, whether or not a legal person, which is not an individual, and includes a body corporate, a corporation sole and a partnership or other unincorporated association.

## 42 Terms of appointment

- (1) Subject to this Chapter, a person appointed under this Chapter holds office under this Chapter in accordance with the terms of their appointment.
- (2) Subject to subsection (3), an appointment under this Chapter begins on the first day of the financial year for which the appointment is made.
- (3) An appointment under this Chapter which—
  - (a) is for the first financial year of an entity, or

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- (b) is made under section 39 after the start of the financial year for which it is made,  
begins on the day on which the appointment is made.
- (4) An appointment under this Chapter, unless terminated earlier, ends when the person appointed has discharged their functions under this Chapter.
- (5) A person appointed under this Chapter may not be dismissed by the appointing audit authority for divergence of opinion on accounting treatments or audit procedures.
- (6) If it appears to the Audit Commission that an entity in relation to which it has appointed a person under this Chapter is not, or has ceased to be, a qualifying English local authority entity, the Commission may terminate the appointment (but is not required to do so).
- (7) If it appears to the Auditor General for Wales that an entity in relation to which the Auditor General has appointed a person under this Chapter is not, or has ceased to be, a qualifying Welsh local authority entity, the Auditor General may terminate the appointment (but is not required to do so).

#### *Audit of accounts*

### **43 Right of entity to appoint auditor to conduct statutory audit**

- (1) Where a person is appointed under this Chapter in relation to an entity for a financial year, the entity may, under and in accordance with the relevant statutory provision, appoint that person as auditor of the entity for the purposes of that provision for the financial year.
- (2) An appointment pursuant to subsection (1) is to be—
- (a) on the standard terms and conditions, or
  - (b) on the standard terms and conditions subject to such modifications as may be agreed between the entity and the person appointed.
- (3) The audit authority must notify the entity of its right under subsection (1).
- (4) Notification under subsection (3) must be before the beginning of the financial year (except in the case of an appointment for the first financial year of the entity or which is made under section 39).
- (5) Termination by the audit authority of the appointment under this Chapter does not terminate an appointment made pursuant to subsection (1).
- (6) In subsection (1) “the relevant statutory provision”—
- (a) in relation to a company, means Part 16 of the [Companies Act 2006 \(c. 46\)](#);
  - (b) in relation to a limited liability partnership, means that Part of that Act as it applies to limited liability partnerships;
  - (c) in relation to an industrial and provident society, means—
    - (i) section 4 of the [Friendly and Industrial and Provident Societies Act 1968 \(c. 55\)](#), or
    - (ii) in the case of an industrial and provident society to which regulation 3 of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 ([SI 2008/565](#)) applies, that regulation.

- (7) In subsection (2), “standard terms and conditions” means terms and conditions (including terms and conditions as to payment of fees) published for the purposes of that subsection by the audit authority from time to time.
- (8) Before publishing terms and conditions under subsection (7) an audit authority must consult—
- (a) such associations of local authorities, and such bodies of accountants, as the audit authority considers appropriate, and
  - (b) the Secretary of State (in the case of the Audit Commission) or the Welsh Ministers (in the case of the Auditor General for Wales).

#### **44 Functions of auditor not appointed to conduct statutory audit**

- (1) This section applies to an entity in relation to which a person is appointed under this Chapter for a financial year if—
- (a) the entity does not appoint that person pursuant to section 43(1), or
  - (b) the entity does so appoint that person but terminates the appointment before the discharge of the person’s functions pursuant to the appointment.
- (2) Where this section applies to an entity which is a company—
- (a) the person appointed under this Chapter must make a report to the company on the annual accounts of the company for the financial year, and
  - (b) sections 495(2) to (4) and 496 to 501 of the [Companies Act 2006 \(c. 46\)](#) apply as if—
    - (i) that report were a report under section 495(1) of that Act, and
    - (ii) the person appointed under this Chapter were the company’s auditor under Part 16 of that Act.
- (3) Where this section applies to an entity which is a limited liability partnership—
- (a) the person appointed under this Chapter must make a report to the partnership on the annual accounts of the partnership for the financial year, and
  - (b) sections 495(2) to (4) and 498 to 501 of the [Companies Act 2006](#) apply as if—
    - (i) that report were a report under section 495(1) of that Act, and
    - (ii) the person appointed under this Chapter were the partnership’s auditor under Part 16 of that Act.
- (4) Where this section applies to an entity which is an industrial and provident society—
- (a) the person appointed under this Chapter must audit the revenue account or accounts and balance sheet of the society for the financial year and make a report to the society on them,
  - (b) section 9(2) to (7) of the [Friendly and Industrial and Provident Societies Act 1968 \(c. 55\)](#) applies in relation to that report as in relation to a report under section 9(1) of that Act,
  - (c) section 18 of that Act applies in relation to any contravention of section 9(5) of that Act (as applied by paragraph (b)), and
  - (d) in a case where the society has caused group accounts for that year to be prepared as specified in section 13 of that Act, the person appointed under this Chapter must make a report to the society on the group accounts, stating the matters referred to in subsection (5) of that section.

- (5) The person appointed under this Chapter must send a copy of the report made under this section to—
  - (a) the local authority with which the entity is connected, and
  - (b) the appointing audit authority.
- (6) In subsection (3) references to the [Companies Act 2006](#) are to that Act as it applies in relation to limited liability partnerships.

### *Public interest reports*

#### **45 Public interest reports**

- (1) A person appointed under this Chapter in relation to an entity must make a report about any relevant matter—
  - (a) which comes to their attention in discharging their functions arising under or pursuant to the preceding provisions of this Chapter, and
  - (b) which they consider that it would be in the public interest to bring to the attention of the entity, the local authority with which it is connected or the public.
- (2) In subsection (1) “relevant matter” means—
  - (a) a matter relating to the financial affairs of the entity for the financial year, or
  - (b) a matter relating to the corporate governance of the entity.
- (3) A report under this section must be sent to the entity before the end of the period of 14 days starting with the day on which the report is made.
- (4) A copy of a report under this section must be sent before the end of that period to—
  - (a) the local authority with which the entity is connected, and
  - (b) the audit authority.
- (5) The person appointed under this Chapter may—
  - (a) notify any person of the fact that the report has been made, and
  - (b) supply a copy of it or of any part of it to any person.

#### **46 Codes of practice**

- (1) A code of practice under section 4 of the [Audit Commission Act 1998 \(c. 18\)](#) must include provision prescribing the way in which persons appointed under this Chapter by the Audit Commission are to carry out their functions under section 45.
- (2) A person so appointed must, in the exercise of their functions under section 45, comply with such provision of such a code as is for the time being in force.
- (3) Where provision under subsection (1) is included in a code of practice under section 4 of the Audit Commission Act 1998 for the first time, the inclusion is to be regarded as an alteration for the purposes of subsection (5) of that section.
- (4) A code of practice under section 16 of the [Public Audit \(Wales\) Act 2004 \(c. 23\)](#) must include provision prescribing the way in which persons appointed under this Chapter by the Auditor General for Wales are to carry out their functions under section 45.

- (5) A person so appointed must, in the exercise of their functions under section 45, comply with such provision of such a code as is for the time being in force.

#### **47 Access to information**

- (1) A person appointed under this Chapter in relation to an entity (in this section referred to as an “auditor”) has a right of access at all reasonable times to every document relating to the entity which appears to the auditor necessary for the purpose of the exercise of their functions under section 45.
- (2) The right conferred by subsection (1) includes power to inspect, copy or take away the document.
- (3) An auditor may—
- (a) require a person holding or accountable for any document referred to in subsection (1) to give to the auditor such information or explanation as the auditor thinks necessary for the purpose of the exercise of the auditor’s functions under section 45, and
  - (b) if the auditor thinks it necessary, require the person to attend before the auditor in person to give the information or explanation or to produce the document.
- (4) Without prejudice to subsection (3), an auditor may—
- (a) require any officer or member of the entity to give to the auditor such information or explanation as the auditor thinks necessary for the purpose of the exercise of the auditor’s functions under section 45, and
  - (b) if the auditor thinks it necessary, require the officer or member to attend before the auditor in person to give the information or explanation.
- (5) In relation to any document kept in electronic form, the power in subsection (3)(b) to require a person to produce a document includes power to require it to be produced in a form in which it is legible and can be taken away.
- (6) In connection with inspecting such a document, an auditor—
- (a) may obtain access to, and inspect and check the operation of, any computer and associated apparatus or material which the auditor considers is or has been used in connection with the document;
  - (b) may require a person within subsection (7) to afford the auditor such reasonable assistance as the auditor may require for that purpose.
- (7) The following persons are within this subsection—
- (a) a person by whom or on whose behalf the computer is or has been used;
  - (b) a person having charge of, or otherwise concerned with the operation of, the computer, apparatus or material.
- (8) Without prejudice to subsections (1) to (7), the entity must provide the auditor with every facility and all information which the auditor may reasonably require for the purposes of the exercise of the auditor’s functions under section 45.
- (9) A person who without reasonable excuse obstructs the exercise of any power conferred by this section or fails to comply with any requirement of an auditor under this section is guilty of an offence.
- (10) A person guilty of an offence under subsection (9) is liable on summary conviction—

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- (a) to a fine not exceeding level 3 on the standard scale, and
  - (b) to an additional fine not exceeding £20 for each day on which the offence continues after the person has been convicted of it.
- (11) Any expenses incurred by an auditor in connection with proceedings for an offence under this section, so far as not recovered from any other source, are recoverable from the entity in relation to which the auditor is appointed.
- (12) The powers under this section are in addition to any other powers which an auditor has in relation to the exercise of the auditor's functions under or pursuant to this Chapter.

#### **48 Consideration of report by entity**

- (1) Where a report is made under section 45 in relation to an entity, the report must be considered—
- (a) in the case of a company, at a general meeting of the company (to be called by the directors under section 302 of the [Companies Act 2006 \(c. 46\)](#));
  - (b) in the case of a limited liability partnership, at a meeting of the members of the partnership;
  - (c) in the case of an industrial and provident society, at a meeting of the society in accordance with the rules of the society.
- (2) The meeting must be held before the end of the period of one month starting with the day on which the report is sent to it.
- (3) The notice of the meeting must include a copy of the report.
- (4) At the meeting the entity must decide—
- (a) whether the report requires it to take any action, and
  - (b) if so, what.
- (5) The entity must notify the local authority with which it is connected of—
- (a) its decision under subsection (4)(a), and
  - (b) any decision under subsection (4)(b).
- (6) If under subsection (4)(a) the entity decides that the report does not require it to take any action, the notification under subsection (5)(a) must give reasons for that decision.
- (7) The person who made the report may extend the period of one month mentioned in subsection (2) if satisfied that it is reasonable to do so to allow the entity to comply with its duties under this section.
- (8) A period may be extended under subsection (7) more than once.
- (9) This section does not affect any duties (so far as they relate to the subject-matter of a report) imposed by or under any other enactment.

#### **49 Consideration of report by local authority**

- (1) Where a report is made under section 45 in relation to an entity, the local authority with which the entity is connected must—
- (a) consider the report and the entity's decision or decisions under section 48(4) at a relevant meeting, and

- (b) decide whether the report and the decision or decisions require the authority to take any action, and if so what.
- (2) A local authority must discharge its duty under subsection (1) before the end of the period of one month starting with the day on which the entity notifies the local authority under section 48(5).
  - (3) The person who made the report may extend the period of one month mentioned in subsection (2) if satisfied that it is reasonable to do so to allow the local authority to comply with its duty under subsection (1).
  - (4) A period may be extended under subsection (3) more than once.
  - (5) In subsection (1)(a) “relevant meeting” means—
    - (a) in the case of a local authority not operating executive arrangements, a meeting of the authority or of a committee of the authority;
    - (b) in the case of a local authority operating executive arrangements—
      - (i) a meeting of the executive, or
      - (ii) if the function referred to in that subsection is a responsibility of the authority, a meeting of the authority or of a committee of the authority.
  - (6) The notice given of the meeting to members of the authority or of the executive or committee of the authority (as the case may be) must include—
    - (a) a copy of the report, and
    - (b) a copy of the notification given by the entity under section 48(5).
  - (7) Subsections (8) and (9) apply in relation to a meeting of a local authority or of a committee of a local authority under this section.
  - (8) The following powers do not include power to exclude the report—
    - (a) the power under section 1(4)(b) of the [Public Bodies \(Admission to Meetings\) Act 1960 \(c. 67\)](#) to exclude items from the matter supplied under that section (supply of agenda etc to newspapers);
    - (b) the power under section 100B(2) of the [Local Government Act 1972 \(c. 70\)](#) to—
      - (i) exclude documents from the documents open to inspection under section 100B(1) of that Act, or
      - (ii) exclude items from the matter supplied under section 100B(7) of that Act (public access to agenda and reports before meetings and supply of agenda etc to newspapers).
  - (9) Part 5A of the [\(9\)Local Government Act 1972](#) has effect in relation to the report as if section 100C(1)(d) of that Act (public access to copies of reports for six years after meeting) were not limited to so much of the report as relates to an item during which the meeting was open to the public.
  - (10) In this section—
    - (a) “executive” and “executive arrangements” have the same meanings as in Part 2 of the [Local Government Act 2000 \(c. 22\)](#);
    - (b) references to a committee of a local authority include a sub-committee.
  - (11) This section does not affect any duties (so far as they relate to the subject-matter of a report under section 45) imposed by or under any other enactment.



### Supplementary

#### 50 Fees

- (1) An entity in relation to which a person is appointed under this Chapter must pay the appointing audit authority a fee in respect of the discharge by that person of any of the functions specified by subsection (2) in relation to the entity.
- (2) Those functions are—
  - (a) functions under section 44(2) to (5);
  - (b) functions under sections 45 to 49.
- (3) The entity must pay a fee under this section at such time, and otherwise in accordance with such requirements, as the audit authority may specify.
- (4) The amount of a fee payable under this section is, subject as follows, to be such as may be specified in or determined under a scale or scales of fees prescribed by the audit authority for the purposes of this section.
- (5) Before prescribing a scale of fees under subsection (4) the audit authority must consult—
  - (a) such associations of local authorities, and
  - (b) such bodies of accountants,as it considers appropriate.
- (6) A scale of fees under this section is not to provide for the amount of a fee to be different depending on whether or not the person appointed under this Chapter is a member of staff of the audit authority.
- (7) A scale of fees under this section and standard terms and conditions under section 43 are not to provide for fees of different amounts in respect of—
  - (a) the discharge of a function referred to in subsection (2)(a), and
  - (b) the discharge of an equivalent function pursuant to an appointment pursuant to section 43(1).
- (8) If the Secretary of State considers it desirable or necessary to do so, the Secretary of State may by regulations prescribe a scale or scales of fees to have effect, for such period as is specified in the regulations, in place of any scale or scales prescribed by the Audit Commission under subsection (4).
- (9) Before making any regulations under subsection (8) the Secretary of State must consult—
  - (a) the Audit Commission, and
  - (b) such associations of local authorities, and such bodies of accountants, as the Secretary of State considers appropriate.
- (10) If the Welsh Ministers consider it desirable or necessary to do so, they may by regulations prescribe a scale or scales of fees to have effect, for such period as is specified in the regulations, in place of any scale or scales prescribed by the Auditor General for Wales under subsection (4).
- (11) Before making any regulations under subsection (10) the Welsh Ministers must consult—
  - (a) the Auditor General for Wales, and



- (b) such associations of local authorities, and such bodies of accountants, as the Welsh Ministers consider appropriate.

- (12) If it appears to the audit authority that the work involved in a particular case differed (or is likely to differ) substantially from that envisaged by the person prescribing the appropriate scale, the audit authority may charge a fee of an amount different from that referred to in subsection (4).

## 51 Power of audit authority to require information

- (1) At any time after the appointment of a person under this Chapter in relation to an entity, the appointing audit authority may for the purpose specified in subsection (2) require the entity to produce to it—
  - (a) the accounts audited by the person pursuant to section 43 or under section 44, or
  - (b) any other document or information relating to the entity to which the person has or had a right of access under or pursuant to this Chapter.
- (2) The purpose referred to in subsection (1) is to enable an audit authority to secure that persons appointed by the authority under this Chapter maintain proper standards.

## 52 Subsidiaries of Passenger Transport Executives

- (1) For the purposes of this Chapter, where a relevant entity is an undertaking in relation to which a Passenger Transport Executive is a parent undertaking, the entity is to be regarded as connected with the Integrated Transport Authority for the area for which the Executive is established.
- (2) In this section—
  - “undertaking” has the meaning given by section 1161 of the [Companies Act 2006 \(c. 46\)](#);
  - “parent undertaking” has the meaning given by section 1162 of that Act.
- (3) Section 31 of the [Audit Commission Act 1998 \(c. 18\)](#) is repealed.

### *General*

## 53 Regulations

- (1) Regulations under section 36(4)(b) or (5)(b) may provide for any expression used in formulating a condition specified in the regulations to have the meaning for the time being given by a relevant document identified in the regulations.
- (2) In subsection (1), “relevant document”—
  - (a) means a document that (at the time the regulations are made) is a document identified for the purposes of section 21(2)(b) of the [Local Government Act 2003 \(c. 26\)](#) by regulations made under that provision, and
  - (b) includes a document so identified by virtue of section 21(5) of that Act.
- (3) Regulations under this Chapter must be made by statutory instrument.

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*Status: This is the original version (as it was originally enacted).*

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- (4) A statutory instrument containing regulations under this Chapter made by the Secretary of State is subject to annulment in pursuance of a resolution of either House of Parliament.
- (5) A statutory instrument containing regulations under this Chapter made by the Welsh Ministers is subject to annulment in pursuance of a resolution of the National Assembly for Wales.

## 54 Interpretation

- (1) In this Chapter—

“audit authority” has the meaning given by section 36(2);

“Audit Commission” means the Audit Commission for Local Authorities and the National Health Service in England;

“company” has the same meaning as in Part 16 of the [Companies Act 2006 \(c. 46\)](#) (see section 1 of that Act);

“financial year”—

(a) in relation to a company, has the same meaning as in Part 16 of the [Companies Act 2006](#) (see section 390 of that Act);

(b) in relation to a limited liability partnership, has the same meaning as in Part 16 of the [Companies Act 2006](#) (as it applies in relation to limited liability partnerships);

(c) in relation to an industrial and provident society, means a year of account within the meaning of the [Friendly and Industrial and Provident Societies Act 1968 \(c. 55\)](#) (see section 21 of that Act);

“industrial and provident society” means a society registered (or deemed to be registered) under the [Industrial and Provident Societies Act 1965 \(c. 12\)](#);

“limited liability partnership” means a limited liability partnership formed under the [Limited Liability Partnerships Act 2000 \(c. 12\)](#) or the [Limited Liability Partnerships Act \(Northern Ireland\) 2002 \(c. 12 \(N.I.\)\)](#);

“local authority” has the meaning given by section 36(6);

“qualifying English local authority entity” has the meaning given by section 36(4);

“qualifying Welsh local authority entity” has the meaning given by section 36(5);

“relevant entity” has the meaning given by section 36(3).

- (2) In this Chapter references to an entity being “connected with” a local authority are to be construed in accordance with subsection (6) of section 212 of the Local Government and Public Involvement in Health Act [2007 \(c. 28\)](#).