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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations are made under section 27 of the Audit Commission Act 1998 and section 134 of the Greater London Authority Act 1999. They make provision with respect to the accounts and audit of bodies whose accounts are required to be audited in accordance with Part II of the Audit Commission Act 1998 (other than health service bodies, local probation boards and Passenger Transport Executives). They also make provision in respect of the summary statement of accounts that the Greater London Authority is required to prepare under section 134 of the Greater London Authority Act 1999.

The Regulations supersede the Accounts and Audit Regulations 1996 (as amended) which, together with amending Regulations, are revoked from 1st April 2003.

These Regulations differ in a number of respects from the previous Accounts and Audit Regulations. Of particular note among the changes are the following: a new explicit requirement for authorities to be responsible for their financial management and system of internal control (regulation 4); a requirement for authorities to follow proper internal audit practices (regulation 6); an increase in the financial threshold above which parish councils are required to prepare income and expenditure accounts from £50,000 to £100,000 (regulation 9); and the bringing forward of the deadlines for approval and publication of statements of account for principal authorities in a phased way (regulations 10 and 11).

Regulation 1 provides that the Regulations shall come into force on 1st April 2003 and that they apply in England only.

Regulation 2 deals with the interpretation of the terms used in the Regulations and their application.

Regulation 3 deals with the revocation of the Accounts and Audit Regulations 1996 (and amending Regulations), which currently govern the regulation of accounts and audit in the bodies to which these Regulations apply.

Regulation 4 imposes a new requirement on relevant bodies, making it explicit for the first time that they are responsible for ensuring that their financial management is adequate and effective and that they have a sound system of internal control which they regularly review.

Regulation 5 makes provision in respect of the accounting records and control systems that are to be kept by the bodies to which these Regulations apply.

Regulation 6 makes provision in respect of the internal audit system that should be maintained in respect of the bodies to which these Regulations apply.

Regulation 7 makes provision with respect to certain of the bodies to which these Regulations apply regarding the preparation of a statement of accounts for each year. This obligation does not apply to parish councils or parish meetings of parishes not having separate parish councils whose gross income or expenditure (whichever is higher) for the relevant year is, and for the preceding two years was, less than £500,000.

Regulation 8 makes provision with regard to the summary statement of accounts that the Greater London Authority is required to prepare under section 134 of the Greater London Authority Act 1999.

Regulation 9 makes provision with respect to the accounting statements that must be prepared by certain of the bodies to which these Regulations apply, not being bodies covered by the requirements set out in Regulation 7.

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Regulation 10 makes provision in respect of the signing and approval of the various forms of accounts required to be prepared under these Regulations.

In the case of bodies subject to the obligation to prepare a statement of accounts under regulation 7(1) of these Regulations the date by which the accounts must be approved is 30th June following the end of the relevant financial year.

At present this obligation has to be met by 30th September following the end of the relevant financial year. In order to assist the relevant bodies to adjust to the new timetable, the timetable is to be phased in over the next three years.

In the case of parish councils or parish meetings of parishes not having separate parish councils which are obliged to prepare accounts in accordance with regulation 9, the date by which they must be approved will be 30th September following the end of the relevant financial year, which is the current obligation.

Regulation 11 makes provision in respect of the publication of statements of accounts prepared under regulation 7. The date by which they must be published is 30th September following the end of the relevant financial year.

At present this obligation has to be met by 31st December following the end of the relevant financial year. In order to assist the relevant bodies to adjust to the new timetable the timetable is to be phased in over the next three years.

Regulation 12 makes provision in respect of the publication of accounts required to be prepared under regulation 9. The date by which they must be published is 31st December following the end of the relevant financial year, which is the current obligation.

Regulation 13 makes provision in respect of the exercise of the rights of local government electors. Under the provisions of section 15(2) of the Audit Commission Act 1998 a local government elector or his representative is entitled to question the auditor about the accounts and under the provisions of section 16(1) a local government elector may attend before the auditor and make objections with respect to certain matters in respect of the accounts. This regulation provides that the auditor shall appoint a date on or after which these rights may be exercised and that he shall notify the relevant body or, if appropriate, the chairman of the parish meeting, of that date.

Regulation 14 makes provision in respect of arrangements to be made for the public inspection of accounts and other documents. They must be available for public inspection for 20 working days before the date appointed by the auditor under the provisions of regulation 13.

Regulation 15 provides that the accounts and other documents made available for public inspection shall not be altered after they have been made so available, except with the consent of the auditor.

Regulation 16 makes provision in respect of the publication of information relating to the right of public inspection of accounts and other documents. The information must be made available to the public at least 14 days before the start of the period during which the accounts and other documents are to be made available pursuant to regulation 14.

Regulation 17 makes provision in respect of the contents of any written notice of a proposed objection that a local government elector gives the auditor.

Regulation 18 makes provision in respect of giving notice that an audit has been concluded and that the accounts are available for inspection by local government electors.

Regulation 19 makes provision in respect of the publication of the annual audit letter that relevant bodies receive from their auditor.

Regulation 20 makes provision in respect of joint committees, joint boards, combined authorities and National Park Authorities regarding the deposit of certain documents relating to their accounts and audit with each constituent authority.

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Regulation 21 makes provision relating to the notice that must be given by a relevant body in the event that the Audit Commission for Local Authorities and the National Health Service in England and Wales directs an auditor to hold an extraordinary audit of the accounts of that body.

Regulation 22 declares that the contravention of certain regulations is an offence, as provided for by section 27(4) of the 1998 Act.