

2006 No. 564

LOCAL GOVERNMENT, ENGLAND

**The Accounts and Audit (Amendment)(England) Regulations
2006**

<i>Made</i> - - - -	<i>3rd March 2006</i>
<i>Laid before Parliament</i>	<i>10th March 2006</i>
<i>Coming into force</i> - -	<i>1st April 2006</i>

The First Secretary of State makes the following Regulations in exercise of the powers conferred by section 27 of the Audit Commission Act 1998(a) (“the 1998 Act”) and section 134(6) of the Greater London Authority Act 1999(b).

In accordance with section 27(3) of the 1998 Act, he has consulted the Commission, such associations of local authorities as appear to him to be concerned and such bodies of accountants as appear to him to be appropriate.

Citation, commencement and application

1.—(1) These Regulations may be cited as the Accounts and Audit (Amendment)(England) Regulations 2006 and shall come into force on 1st April 2006.

(2) These Regulations apply to relevant bodies in England only.

Amendment of the Accounts and Audit Regulations 2003

2. The Accounts and Audit Regulations 2003(c) are amended as set out in regulations 3 to 21.

Interpretation and application

3. In regulation 2 (interpretation and application)—

(a) in paragraph (1), for the definition of “relevant body”, substitute—

““relevant body” means a body whose accounts are required to be audited in accordance with section 2 of the 1998 Act other than a body specified in section 98(1) of the National Health Service Act 1977 or a local probation board;”;

(b) in paragraph (1), after the definition of “relevant body”, insert—

““smaller relevant body” means a relevant body, other than parish councils subject to any of the duties under Part 1 of the Local Government Act 1999 (best value authorities), whose gross income or expenditure (whichever is the higher) for the year

(a) 1998 c. 18.

(b) 1999 c. 29.

(c) S.I. 2003/533, amended by S.I. 2004/556 and S.I. 2004/3168.

concerned is, or for either of the two immediately preceding years was, less than £1 million;”;(a)

- (c) in paragraph (1), for the definition of “working day”, substitute—
““working day” means any day other than a Saturday, a Sunday, Christmas Day, Good Friday, or a day which is a bank holiday in England under the Banking and Financial Dealings Act 1971;”;(b)
- (d) in paragraph (2), for sub-paragraph (a), substitute—
“(a) the person who, by virtue of—
(i) section 151 of the 1972 Act;
(ii) section 17 of the Norfolk and Suffolk Boards Act 1988;
(iii) section 112 of the Local Government Finance Act 1988;
(iv) section 6 of the Local Government and Housing Act 1989;
(v) paragraph 13(6) of Schedule 7 to the Environment Act 1995; or
(vi) section 127 of the Greater London Authority Act 1999;
as the case may be, is responsible for the administration of the financial affairs of a relevant body or, if no person is so responsible, the person who is responsible for the keeping the accounts of such a body, or”; and
- (e) after paragraph (2), insert—
“(2A) Any reference in regulations 4 to 22 to a relevant body or a smaller relevant body, shall, in the case of a parish meeting, be construed as a reference to the chairman of that meeting.”.

Responsibility for financial management

4. In regulation 4 (responsibility for financial management)—
- (a) in paragraph (2), omit from “and shall include” to “regulation 12”; and
- (b) after paragraph (2), add—
“(3) The findings of the review referred to in paragraph (2) shall be considered by a committee of the relevant body, or by the members of the relevant body meeting as a whole, and following that consideration, shall approve a statement on internal control, prepared in accordance with proper practices in relation to internal control.
(4) The relevant body shall include the statement referred to in paragraph (3) with—
(a) any statement of accounts it is obliged to publish in accordance with regulation 11, or
(b) any income and expenditure account, statement of balances or record of receipts and payments it is obliged to publish or display in accordance with regulation 12.”.

Accounting records and control systems

5. In regulation 5 (accounting records and control systems)—
- (a) in paragraph (1), for “and (4) and” substitute “and (4), and,”;
- (b) in paragraph (1), for “this paragraph or” substitute “this paragraph,”; and
- (c) in paragraph (1), omit from “maintained” to “proper practices and”.

Internal audit

6. In regulation 6 (internal audit), the existing provision becomes paragraph (1) and—

(a) 1999 c. 27.
(b) 1971 c. 80.

- (a) in that paragraph—
- (i) for “proper internal audit practices” substitute “proper practices in relation to internal control”; and
- (ii) omit from “, and any officer” to “for that purpose”; and
- (b) after that paragraph, insert—
 - “(2) Any officer or member of a relevant body shall, if the body requires—
 - (a) make available such documents of the body which relate to its accounting and other records as appear to that body to be necessary for the purpose of the audit; and
 - (b) supply the body with such information and explanation as that body considers necessary for that purpose.
 - (3) The relevant body shall, at least once in each year, conduct a review of the effectiveness of its system of internal audit.
 - (4) The findings of the review referred to in paragraph (3) shall be considered, as part of the consideration of the system of internal control referred to in paragraph (3) of regulation 4, by the committee or meeting referred to in that paragraph.”.

Statement of accounts

- 7. In regulation 7 (statement of accounts)—
 - (a) for paragraph (1), substitute—
 - “(1) A relevant body which is not a smaller relevant body shall prepare, in accordance with proper practices in relation to accounts, a statement of accounts for each year, which shall include such of the following accounting statements as are relevant to the functions of the relevant body—
 - (a) housing revenue account;
 - (b) collection fund;
 - (c) firefighters’ pension fund;
 - (d) any other statements relating to each and every other fund in relation to which the body is required by any statutory provision to keep a separate account;”;
 - (b) in paragraph (2)—
 - (i) after “a note of” insert a hyphen and insert—
 - “(a) demonstrates whether the Dedicated Schools Grant (made under section 14 of the Education Act 2002) has been deployed in accordance with regulations made under sections 45A, 45AA, 47, 48(1) and (2) and 138(7) of, and paragraph 1(7)(b) of Schedule 14 to, the School Standards and Framework Act 1998; and”; and
 - (ii) the words from “the number of employees” to the end become sub-paragraph (b);
 - (c) omit paragraphs (3) and (4);
 - (d) in paragraph (5)(d), for “proper practices” substitute “proper practices in relation to accounts”; and
 - (e) in paragraph (6)(a), for “defrayed” substitute “incurred”.

Passenger Transport Executives

- 8. After regulation 7, insert—

“Passenger Transport Executives

7A.—(1) A statement of accounts of a Passenger Transport Executive shall be prepared so as to be no less informative than if the disclosure requirements of the Companies Act 1985 were, so far as appropriate, applicable to Executives.

(2) For each year ending on or after 31st March 2006, a Passenger Transport Executive shall charge to a revenue account an amount equal to the retirement benefits payments and contributions to pension funds which are payable for that year in accordance with—

- (a) the Local Government Pension Scheme Regulations 1997; and
- (b) the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000.”.

Summary statement of accounts - Greater London Authority

9. In regulation 8 (summary statement of accounts - Greater London Authority), for “proper practices” substitute “proper practices in relation to accounts”.

Other accounting statements

10. In regulation 9 (other accounting statements)—

(a) for paragraph (1) substitute—

“(1) Subject to paragraph (3), a smaller relevant body shall prepare for each year an income and expenditure account and a statement of balances, in accordance with, and in the form specified in any Annual Return required by, proper practices in relation to accounts.”;

(b) omit paragraph (2); and

(c) for paragraph (3) substitute—

“(3) Where in relation to a relevant body, the gross income or expenditure (whichever is the higher) was less than £200,000 for the year or for either of the two immediately preceding years, the body shall prepare in accordance with, and in the form specified in any Annual Return required by, proper practices in relation to accounts—

- (a) a record of receipts and payments of the body in relation to that year; or
- (b) an income and expenditure account and a statement of balances of the body in relation to that year.”.

Signing and approval of statement of accounts etc

11. In regulation 10 (signing and approval of statement of accounts etc)—

(a) in paragraph (3)—

- (i) for “paragraph (5)” substitute “paragraph (6)”;
 - (ii) for “referred to in regulations 7(1) and 7(6)” substitute “which are not smaller relevant bodies”;
 - (iii) for “approved by a resolution of a committee of the relevant body or otherwise by a resolution of the members of the body meeting as a whole,” substitute “considered by a committee of the relevant body or the members of the body meeting as a whole, and following that consideration, shall be approved by a resolution of that committee or meeting,”;
- (b) in paragraph (4)—
- (i) before “in respect of all” insert “Subject to paragraph (6),”;
 - (ii) for “all relevant bodies referred to in regulation 9(2) and (3)” substitute “smaller relevant bodies”;
 - (iii) for “balance sheet” substitute “statement of balances”;

- (iv) for “regulation 9(1),” substitute “regulation 9(1) or”;
- (v) omit “or the income and expenditure account and statement of balances as required by regulation 9(3)(b)”;
- (vi) for “approved by a resolution of a committee of the relevant body or otherwise by a resolution of the members of the body meeting as a whole,” substitute “considered by a committee of the relevant body or the members of the body meeting as a whole, and following that consideration, shall be approved by a resolution of that committee or meeting.”; and
- (vii) for “before the 30th September” substitute “, subject to paragraph (5), before the 30th June”;
- (c) in paragraph (5)—
 - (i) for “(3)(a)” substitute “(4)(a)”;
 - (ii) for “2003” substitute “2006”;
 - (iii) for “2004” substitute “2007”; and
 - (iv) for “2005” substitute “2008”; and
 - (d) after paragraph (5) insert—
 - “(6) Where a relevant body does not approve the statement of accounts, the record of receipts and payments or the income and expenditure account and statement of balances, as the case may be, (“the accounting document”) by the date required by paragraph (3), (4) or (5) it shall—
 - (a) within twenty working days of that date, hold a further meeting of the members of the relevant body as a whole, at which the accounting document shall be considered; and
 - (b) where the meeting referred to in sub-paragraph (a) does not resolve to approve the accounting document, the relevant body shall, as soon as reasonably practicable, publish a statement as to the reasons why it cannot approve the accounting document.”.

Publication of statement of accounts etc

- 12.** In regulation 11 (publication of statement of accounts etc)—
- (a) in paragraph (1)—
 - (i) for “to which paragraph (2) below applies, or, in the case of a parish meeting, the chairman,” substitute “which is not a smaller relevant body”; and
 - (ii) for “sections 9(1)(a) and 19A” substitute “section 9(1)(a)”;
 - (b) omit paragraphs (2) and (3).

Publication of income and expenditure account and receipts and payments

- 13.** In regulation 12 (publication of income and expenditure account and receipts and payments)—
- (a) in paragraph (1)—
 - (i) for “before the 31st December” substitute “, subject to paragraph (5), before the 30th September”;
 - (ii) for “to which paragraph (2) below applies, or, in the case of a parish meeting, the chairman,” substitute “which is a smaller relevant body”; and
 - (iii) for sub-paragraph (a), substitute—
 - “(a) either—
 - (i) publish the requisite information by means other than solely by reference in the minutes of meetings, committees or sub-committees of the body, or;

- (ii) display a notice containing the requisite information in a conspicuous place or places in the area of the body for a period of at least 14 days; and”;
- (b) omit paragraphs (2) and (3);
- (c) for paragraph (4) substitute—

“(4) For the purposes of paragraph (1) “requisite information” means—

- (a) the statement on internal control prepared in accordance with regulation 4(3),
- (b) the income and expenditure account and statement of balances prepared in accordance with regulation 9(1),
- (c) the record of receipts and payments, and,
- (d) the income and expenditure account and statement of balances prepared in accordance with regulation 9(3)(a),

together with any certificate, opinion, or report issued, given or made by the auditor under section 9(1)(a) of the 1998 Act, or, if no such opinion has been given, together with a statement that the auditor has given no opinion and setting out the reasons why no opinion has been given.

(5) The reference in paragraph (1) to the 30th September shall be read—

- (a) in respect of the year ending with 31st March 2006, as a reference to the 31st December;
- (b) in respect of the year ending with 31st March 2007, as a reference to the 30th November; and
- (c) in respect of the year ending with 31st March 2008, as a reference to the 31st October.”.

Appointment of date for the exercise of rights of electors

14. In regulation 13 (appointment of date for the exercise of rights of electors), omit “, or in the case of a parish meeting the chairman of the meeting,”.

Public inspection of accounts

15. In regulation 14 (public inspection of accounts)—

- (a) in paragraph (1), omit “or, as the case may be, the chairman,”; and
- (b) in paragraph (2), for “The council of a parish, or the chairman of a parish meeting of a parish not having a separate council, notified under regulation 13” substitute “A relevant body notified under regulation 13, which is a smaller relevant body”.

Notice of public rights

16. In regulation 16 (notice of public rights)—

- (a) in paragraph (1), for “to which regulation 11(2) applies, or in the case of a parish meeting, the chairman of the meeting,” substitute “which is not a smaller relevant body”; and
- (b) in paragraph (3), for “A relevant body to which regulation 12(2) applies or which is referred to in regulation 12(3) or, in the case of a parish meeting, the chairman of the meeting,” substitute “A smaller relevant body”.

Notice of conclusion of audit

17. In regulation 18 (notice of conclusion of audit) —

- (a) in paragraph (1), for “a body to which regulation 11(2) applies, or in the case of a parish meeting, the chairman of the meeting,” substitute “a relevant body which is not a smaller relevant body”;

- (b) in paragraph (2), for “a body to which regulation 12(2) applies or which is referred to in regulation 12(3) or, in the case of a parish meeting, the chairman of the meeting,” substitute “a smaller relevant body”;
- (c) for paragraph (3) substitute—
 - “(3) Where any material amendment is made to the statement of accounts, income and expenditure account or the statement of balances, or record of receipts and payments after the notice under paragraph (1) or (2) is given or displayed, the documents made available for inspection under that paragraph shall—
 - (a) either be revised to take account of the amendment or be accompanied by a copy of the amendment; and
 - (b) be accompanied by an explanation of the amendment.”; and
- (d) in paragraph (4), for the words from the beginning to “required”, substitute “Where any material amendment is made”.

Publication of annual audit letter

18. In regulation 19 (publication of annual audit letter) for “it is received, a relevant body” substitute “receipt of the annual letter from the auditor or the Commission, a committee of the relevant body or the members of the relevant body meeting as a whole, shall meet to consider it and following that consideration”.

Joint committees etc

19. In regulation 20 (joint committees etc), in paragraph (1)—
- (a) in sub-paragraph (a)—
 - (i) at the beginning insert “where the committee, board or authority is a smaller relevant body,”; and
 - (ii) for “, and” substitute “and the income and expenditure account and the statement of balances, or the record of receipts and payments, as the case may be, and”; and
 - (b) in sub-paragraph (b)—
 - (i) for “body to which regulation 7(3) applies” substitute “relevant body which is not a smaller relevant body”; and
 - (ii) after “a copy of the” insert “auditor’s report and”.

Extraordinary audit

20. In regulation 21 (extraordinary audit)—
- (a) delete “, or, in the case of a parish meeting, the chairman of the meeting,”;
 - (b) for “body to which regulation 11(2) applies” substitute “relevant body which is not a smaller relevant body”; and
 - (c) for “body to which regulation 12(2) applies or which is referred to in regulation 12(3)” substitute “a smaller relevant body”.

Offences

21. In regulation 22 (offences), in paragraph (2), for “4” substitute “4(2) to (4), 6(2) to (4)”.

Revocation

22. The Accounts and Audit (Passenger Transport Executives and the London Transport Executive) Regulations 1983^(a) are revoked.

Signed by authority of the First Secretary of State

3rd March 2006

Phil Woolas
Minister of State
Office of the Deputy Prime Minister

^(a) S.I. 1983/1849.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Accounts and Audit Regulations 2003 (“the 2003 Regulations”).

Regulation 3 amends regulation 2 of the 2003 Regulations by the substitution of a new definition of “working day”. A new definition of “relevant body” has also been substituted which has the effect of bringing passenger transport executives within the 2003 Regulations. A new definition of “smaller relevant body” has been inserted and, together with the amendments to regulations 7 and 9 of the 2003 Regulations, provides that bodies with income or expenditure below £1 million usually need only produce an annual return. Those with an income or expenditure of £1 million or more must prepare a full statement of accounts. Regulation 3 also amends the definition of “responsible financial officer” in paragraph (2) of regulation 2 of the 2003 Regulations to add further relevant statutory provisions. A new paragraph (2A) is inserted into that regulation. It provides that any reference to a relevant body is to be read, in relation to a parish meeting, as a reference to the chairman of that meeting.

Regulation 4 amends regulation 4 of the 2003 Regulations to require the findings of reviews of the system of internal control (referred to in regulation 4(2) of those Regulations) to be considered by a committee of the relevant body, or by members of the body meeting as a whole. In regulation 4 of the 2003 Regulations (and regulations 6, 7, 8 and 9) references to “proper practices” have been changed to “proper practices in relation to accounts” and “proper practices in relation to internal control”, as appropriate to each case.

Regulation 5 corrects typographical errors in regulation 5 of the 2003 Regulations.

Regulation 6 amends regulation 6 of the 2003 Regulations to require bodies to review their system of internal audit once a year and for the findings of the review to be considered by a committee of the body, or by the body as a whole, as part of the consideration of the system of internal control referred to in regulation 4(3).

Regulation 7 deletes some of the provisions listed in regulation 7(1) of the 2003 Regulations and adds a reference to the firefighters’ pension fund. A requirement to provide a note on the Dedicated Schools Grant is inserted into paragraph (2).

Regulation 8 inserts regulation 7A into the 2003 Regulations. Paragraph (1) of the inserted regulation provides for the statement of accounts of passenger transport executives to be no less informative than statements prepared under the Companies Act 1985 (this rule was previously included as regulation 5(3) of the Accounts and Audit (Passenger Transport Executives and the London Transport Executive) Regulations 1983). Paragraph (2) of the inserted regulation requires passenger transport executives to charge retirement benefits to a revenue account.

Regulation 10 amends regulation 9 of the 2003 Regulations so that smaller relevant bodies are required to prepare statement of accounts.

Regulation 11 amends regulation 10 of the 2003 Regulations to require the approval of the statement of accounts of smaller relevant bodies by June rather than September. This change is phased in over three years. A new paragraph (6) is added, specifying the procedure to be followed where a body does not approve its accounts.

Regulation 12 makes minor amendments to regulation 11 of the 2003 Regulations.

Regulation 13 amends regulation 12 of the 2003 Regulations so as to apply provisions equivalent to those in the amended regulation 11 to smaller relevant bodies. In particular it requires the publication of the statement of accounts of smaller relevant bodies by September rather December, but this change is phased in over three years.

Regulation 17 makes minor amendments to regulation 18 of the 2003 Regulations.

Regulation 18 makes a minor amendment to regulation 19 of the 2003 Regulations in relation to the reference to the annual letter to local government bodies.

Regulation 19 makes a minor amendment to regulation 20 of the 2003 Regulations in relation to joint committees.

Regulation 21 amends paragraph (2) of regulation 22 of the 2003 Regulations. Substituted regulation 6(2) to (4) has been included in the list of provisions. Failure to comply with any requirement of regulation 4(1) of the 2003 Regulations does not now give rise to the commission of an offence.

Regulation 22 revokes the Accounts and Audit (Passenger Transport Executives and the London Transport Executive) Regulations 1983.

STATUTORY INSTRUMENTS

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**The Accounts and Audit (Amendment)(England) Regulations
2006**

£3.00

ISBN 0-11-074169-2

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Printed and published in the UK by The Stationery Office Limited
under the authority and superintendence of Carol Tullo, Controller of Her Majesty's
Stationery Office and Queen's Printer of Acts of Parliament.

E0289 3/2006 160289T 19585

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