
STATUTORY INSTRUMENTS

1996 No. 590

The Accounts and Audit Regulations 1996

Citation and commencement

1. These Regulations may be cited as the Accounts and Audit Regulations 1996 and shall come into force for the purposes of regulations 3(1), 4 and 5 on 1st April 1996 and for all other purposes on 1st April 1997.

Interpretation and application

2.—(1) In these Regulations—

“the 1972 Act” means the Local Government Act 1972(1);

“the 1982 Act” means the Local Government Finance Act 1982;

“auditor” means the auditor appointed under section 12(1) of the 1982 Act in relation to any accounts of a relevant body;

“the Commission” means the Audit Commission for Local Authorities and the National Health Service in England and Wales(2);

“notice by advertisement” means a notice published in one or more local newspapers circulating in the area of the relevant body;

“relevant body” means a body whose accounts are required to be audited in accordance with Part III of the 1982 Act other than a health service body or a Passenger Transport Executive; and

“working day” means any day other than a Saturday or Sunday or a day which is a bank holiday in England and Wales.

(2) Any reference in these Regulations to the “responsible financial officer” means—

(a) the person who, by virtue of section 151 of the 1972 Act, 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 keeping the accounts of such a body, or

(b) if the person referred to in paragraph (a) is unable to act owing to absence or illness, such member of his staff as is nominated by him for the purposes of section 114 of the Local Government Finance Act 1988(3) or, if no nomination is made under that section, the person nominated by him for the purposes of these Regulations.

(3) Any reference in these Regulations to accounts shall, in relation to the Common Council of the City of London, be construed as a reference to the accounts referred to in section 12(3) of the 1982 Act(4).

(4) These Regulations shall apply to all relevant bodies.

(1) 1972 c. 70.

(2) The definition of the Commission in section 36(1) of the 1982 Act was amended by paragraph 23 of Schedule 4 to the [National Health Service and Community Care Act 1990 c.19](#).

(3) 1988 c. 41.

(4) Section 12(3) of the 1982 Act was substituted by paragraph 3 of Part I of Schedule 12 to the Local Government Finance Act 1988 c. 41.

(5) Regulations 9(1), 11 to 14, and 16(1) shall with all necessary modifications apply to the accounts of an officer whose accounts are required to be audited by section 25 of the 1982 Act.

Revocation

3.—(1) Regulations 3 and 4 of the Accounts and Audit Regulations 1983⁽⁵⁾ (“the 1983 Regulations”) are hereby revoked.

(2) The remaining regulations of the 1983 Regulations, the Accounts and Audit (Amendment) Regulations 1986⁽⁶⁾, the Accounts and Audit (Amendment) Regulations 1990⁽⁷⁾ and the Accounts and Audit (Amendment) Regulations 1994⁽⁸⁾ are hereby revoked.

Accounting records and control systems

4.—(1) Subject to paragraphs (3) and (4) below, and, insofar as they are not in conflict with this paragraph, to any instructions given by a relevant body to their responsible financial officer, the body’s accounting system and the form of their accounts and supporting accounting records shall be determined by the responsible financial officer, and he shall ensure that the accounting systems determined by him are observed and that the accounts and supporting records of the body are maintained in accordance with proper practices and kept up to date.

(2) The accounting records determined by the responsible financial officer in accordance with paragraph (1) shall be sufficient to show the body’s transactions and to enable the responsible financial officer to ensure that any statement of accounts, income and expenditure account, balance sheet or record of receipts and payments and additional information to be provided by way of notes to the accounts, as the case may be, prepared under these Regulations complies with these Regulations.

(3) The accounting records determined by the responsible financial officer in accordance with paragraph (1) shall in particular contain—

- (a) entries from day to day of all sums of money received and expended by the body and the matters to which the income and expenditure or receipts and payments account relate;
- (b) a record of the assets and liabilities of the body; and
- (c) a record of income and expenditure of the body in relation to claims made, or to be made, by them for contribution, grant or subsidy from any Minister of the Crown, a body to whom such a Minister may pay sums out of moneys provided by Parliament or a Community institution.

(4) The accounting control systems determined by the responsible financial officer in accordance with paragraph (1) shall include —

- (a) measures to ensure that the financial transactions of the body are recorded as soon as reasonably practicable and as accurately as reasonably possible, measures to enable the prevention and detection of inaccuracies and fraud, and the ability to reconstitute any lost records;
- (b) identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions; and
- (c) procedures for uncollectable amounts, including bad debts, not to be written off except with the approval of the responsible financial officer or such member of his staff as is nominated by him for this purpose and for the approval to be shown in the accounting records.

⁽⁵⁾ S.I. 1983/1761.

⁽⁶⁾ S.I. 1986/1271.

⁽⁷⁾ S.I. 1990/435.

⁽⁸⁾ S.I. 1994/3018.

Internal audit

5. A relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems, and any officer or member of the body shall, if the body requires, make available such documents of the body which relate to their accounting and other records as appear to that body to be necessary for the purpose of the audit and shall supply the body with such information and explanation as that body considers necessary for that purpose.

Statement of accounts

6.—(1) A body to which paragraph (3) applies shall prepare in accordance with proper practices a statement of accounts for each period which shall include the following—

- (a) an explanatory introduction;
- (b) summarised statements of the income and expenditure of each fund in relation to which the body is required by any statutory provision to keep a separate account;
- (c) a summarised statement of capital expenditure, showing the sources of finance of the total capital expenditure in the period;
- (d) a statement of the accounting policies adopted, drawing attention to any changes of policy which have a significant effect on the results shown by the statement of accounts;
- (e) a consolidated revenue account;
- (f) a consolidated balance sheet;
- (g) a consolidated cash flow statement;
- (h) notes to the accounts which include the information referred to in paragraph (2)

and, subject to paragraph (6) below, in relation to amounts shown in pursuance of sub-paragraphs (b), (c), (e), (f), and (g) shall show any corresponding amounts for the immediately preceding financial year.

(2) Notes to the accounts required by paragraph (1) above shall include the number of employees in the period to which the accounts relate whose remuneration fell in each bracket of a scale in multiples of £10,000, starting with £40,000. For this purpose “remuneration” means all amounts paid to or receivable by an employee and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash.

(3) This paragraph applies to the following bodies:

- (a) a London borough council, a county council or a district council in England;
- (b) a county council or a county borough council in Wales⁽⁹⁾;
- (c) the Council of the Isles of Scilly;
- (d) a joint authority and an authority established by the Waste Regulation and Disposal (Authorities) Order 1985⁽¹⁰⁾;
- (e) any committee of a body mentioned in sub-paragraph (a), (b) or (d) above which is required to keep separate accounts;
- (f) any joint committee of two or more bodies mentioned in sub-paragraph (a), (b) or (d) above;
- (g) the Broads Authority⁽¹¹⁾;

⁽⁹⁾ The definition of local authority for the purposes of Part III of the 1982 Act, contained in section 270 of the Local Government Act 1972, is amended in relation to Wales by section 1(5) of the [Local Government \(Wales\) Act 1994 \(c.19\)](#).

⁽¹⁰⁾ [S.I. 1985/1884](#).

⁽¹¹⁾ The reference to the Broads Authority was inserted into section 12(2) of the 1982 Act by section 17 of the Norfolk and Suffolk Broads Act 1988.

- (h) a police authority established under section 3 of the Police Act 1964(12);
- (i) any fire authority constituted by a combination scheme(13);
- (j) a National Park authority(14).
- (k) a probation committee, except the committee for the inner London probation area(15).

(4) Where in relation to a council for a parish or community, or a parish meeting of a parish not having a separate council, the budgeted income for the relevant financial period is, and for each of the two immediately preceding financial periods was, £500,000 or more, the requirements of paragraphs (1) and (2) above shall apply to that council, or the chairman of the meeting, as the case may be, in respect of that period.

(5) The Common Council of the City of London shall in relation to the accounts referred to in section 12(3) of the 1982 Act for each period prepare in accordance with proper practices a statement of accounts including—

- (a) a summarised statement of capital expenditure in relation to each of the funds mentioned in that subsection, differentiated in respect of different services and showing the sources of finance of the years total capital expenditure defrayed in the period;
- (b) summarised statements of the income and expenditure of each of those funds; and
- (c) balance sheets in respect of each of those funds,

and in relation to amounts shown in pursuance of sub-paragraphs (b) and (c) shall show any corresponding amounts for the immediately preceding period.

(6) The requirement in paragraph (1) above to show corresponding amounts for the immediately preceding period shall not apply in relation to a council of a county or county borough in Wales in relation to accounts for the year beginning 1st April 1996.

Other accounting statements

7.—(1) A body to which paragraph (2) applies shall prepare in accordance with proper practices an income and expenditure account and a balance sheet of the body for each period.

(2) This paragraph applies to the following bodies—

- (a) any charter trustees constituted under section 246 of the Local Government Act 1972 or under an order or regulations made under sections 17 or 19 of the Local Government Act 1992;
- (b) a port health authority;
- (c) a licensing planning committee; and
- (d) an internal drainage board.

(3) Where in relation to a council for a parish or a community, or a parish meeting of a parish not having a separate council, the budgeted income for the relevant financial period is, and for each of the two immediately preceding financial periods was, £5,000 or more and less than £500,000, the council or the chairman of the meeting, as the case may be, shall prepare in accordance with proper practices an income and expenditure account and a balance sheet of the council or meeting in relation to that period.

(4) Where in relation to a council for a parish or a community, or a parish or meeting of a parish not having a separate council the budgeted income for the relevant financial period is, and for each of

(12) Section 3 of the Police Act 1964 c. 48 was substituted by section 2 of the Police and Magistrates' Courts Act 1994 c. 29. Paragraph 25 of Schedule 4 to the 1994 Act inserts the reference to police authorities into section 12(2) of the 1982 Act.

(13) Combination schemes may be made under section 6 of the Fire Services Act 1947 c. 41.

(14) National Park authorities may be established under Part III of the Environment Act 1995 c. 25. Paragraph 19 of Schedule 7 to that Act inserts the reference to National Park authorities into section 12(2) of the 1982 Act.

(15) probation committees are constituted under section 3 of the Probation Service Act 1993 c. 47.

the two immediately preceding financial periods was, less than £5,000, the council, or the chairman of the meeting, as the case may be, shall prepare in accordance with proper practices a record of receipts and payments of the council or meeting in relation to that period.

Signing and approval of statement of accounts etc.

8.—(1) A relevant body shall ensure that—

- (a) the statement of accounts, or
- (b) where no statement of accounts is required to be prepared, the income and expenditure account and the balance sheet, or
- (c) where no balance sheet is required to be prepared, the record of receipts and payments of the body,

is prepared in accordance with these Regulations.

(2) The statement of accounts, income and expenditure account and balance sheet, or record of receipts and payments, as the case may be, shall be 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, such approval to take place as soon as reasonably practicable and in any event within six months after the end of the period to which it relates.

(3) Prior to the approval referred to in paragraph (2) the responsible financial officer of a relevant body shall sign and date the statement of accounts, income and expenditure account and balance sheet, or record of receipts and payments, as the case may be, and shall certify that it presents fairly the financial position of the body at the end of the period to which it relates and their income and expenditure, or properly presents receipts and payments, as the case may be, for that period.

Publication of statement of accounts etc.

9.—(1) As soon as reasonably possible after conclusion of an audit, or nine months from the day following the end of the period to which the accounts in question relate, whichever is the earlier, a relevant body to which paragraph (2) below applies, or, in the case of a parish meeting, the chairman, shall—

- (a) publish the statement of accounts prepared in accordance with regulation 6 together with any certificate, opinion, or report issued, given or made by the auditor under section 18 of the 1982 Act⁽¹⁶⁾ before the date of publication, or, if publication takes place prior to the conclusion of the audit and no such opinion has been given, together with a declaration and explanation of the fact that at the date of publication the auditor has given no opinion, and
- (b) keep copies available for purchase by any person on payment of a reasonable sum.

(2) This paragraph applies to—

- (a) a relevant body to which regulation 6(3) applies,
- (b) a relevant body referred to in regulation 6(4) in relation to the accounts for a period referred to in that regulation, and
- (c) the Common Council of the City of London.

(3) As soon as reasonably possible after conclusion of an audit, or nine months from the day following the end of the period to which the accounts in question relate, whichever is the earlier, a relevant body to which paragraph (4) applies, or, in the case of a parish meeting, the chairman of that meeting, shall—

⁽¹⁶⁾ Section 18(3) was substituted by section 5(5) of the Local Government Act 1992 c. 19. Sections 18(5) and (6) were substituted by paragraph 7 of Schedule 2 to the Local Government (Access to Information) Act 1985 c. 43.

- (a) publish the income and expenditure account and the balance sheet prepared in accordance with regulation 7(1) together with any certificate, opinion, or report issued, given or made by the auditor under section 18 of the 1982 Act before the date of publication, or, if publication takes place prior to the conclusion of the audit and no such opinion has been given, together with a declaration and explanation of the fact that at the date of publication the auditor has given no opinion, and
 - (b) keep copies available for purchase by any person on payment of a reasonable sum.
- (4) This paragraph applies to—
- (a) a relevant body to which regulation 7(2) applies, and
 - (b) a relevant body referred to in regulation 7(3) in relation to the accounts for a period to which that regulation applies.
- (5) As soon as reasonably possible after the conclusion of an audit, or nine months from the day following the end of the period to which the accounts in question relate, whichever is the earlier, a relevant body referred to in regulation 7(4) or, in the case of a parish meeting, the chairman of the meeting, shall, in relation to the accounts for a period referred to in that regulation, 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 keep copies available for purchase by any person on payment of a reasonable sum.
- (6) For the purposes of paragraph (5) above “requisite information” means the record of receipts and payments prepared in accordance with regulation 7(4) together with any certificate, opinion, or report issued, given or made by the auditor under section 18 of the 1982 Act before the date of publication, or, if the notice is displayed prior to the conclusion of the audit and no such opinion has been given, together with a declaration and explanation of the fact that at the date when the notice is first displayed the auditor has given no opinion.

Statement of costs of specified activities

- 10.**—(1) As soon as reasonably possible after conclusion of an audit, or nine months from the day following the end of the period to which the accounts in question relate, whichever is the earlier, a relevant body to which paragraph (3) below applies shall —
- (a) publish, in the form of a statement, the information relating to their accounts which is specified in relation to the body in paragraph 2(2) or (3) of Part I of the Schedule to these Regulations;
 - (b) make the statement available for inspection at such place and during such hours as are specified in a notice by advertisement; and
 - (c) keep copies of the statement available at that place to be given free of charge to any person who requests them.
- (2) A body to which paragraph (3) below applies shall include in their statement of accounts prepared in pursuance of regulation 6 an item showing the information mentioned in paragraph 2(2) (a) of Part I of the Schedule to these Regulations.
- (3) This paragraph applies to—
- (a) a London borough, a county council or a district council in England, a county council or a county borough council in Wales;
 - (b) the Common Council of the City of London;
 - (c) the Council of the Isles of Scilly;
 - (d) a joint authority;
 - (e) a joint committee of two or more bodies mentioned in sub-paragraph (a) to (d) above;

- (f) an authority established by the Waste Regulation and Disposal (Authorities) Order 1985;
 - (g) any fire authority constituted by a combination scheme; and
 - (h) a police authority established under section 3 of the Police Act 1964;
- (4) Paragraphs (1) and (2) shall have effect in relation to accounts for periods beginning on or after—
- (a) in the case of a relevant council, the first anniversary of the reorganisation date;
 - (b) in the case of a joint committee of two or more non-metropolitan councils one of which is a relevant council mentioned in sub-paragraph (a) above, the first anniversary of the reorganisation date in relation to that council;
 - (c) in the case of any other body referred to in paragraph (3) above, 1st April 1996.
- (5) For the purposes of this regulation—
- “relevant council” means a council which is affected by an order (a “reorganisation order”) made under section 17 of the Local Government Act 1992⁽¹⁷⁾ and in respect of which the reorganisation date is on or after 1st April 1997; and
- “reorganisation date” in relation to a relevant council means the date (being 1st April in any year) which is specified in a reorganisation order which affects that council.

Appointment of date for the exercise of rights of electors

11. The auditor shall, for the purpose of the exercise of rights under section 17(2) and (3) of the 1982 Act, appoint a date on or after which those rights may be exercised, and shall notify the relevant body concerned, or in the case of a parish meeting the chairman of the meeting, of that date.

Public inspection of accounts

12.—(1) Subject to paragraph (2), the relevant body or, as the case may be, the chairman, notified under regulation 11, shall make the accounts and other documents mentioned in section 17(1) of the 1982 Act available for public inspection for 15 full working days before the date appointed by the auditor under that regulation.

(2) The council of a parish or a community, or the chairman of a parish meeting of a parish not having a separate council, notified under regulation 11, shall make the accounts and other documents in relation to a period to which regulation 7(3) applies available for public inspection on reasonable notice.

Alteration of accounts

13. Except with the consent of the auditor, accounts shall not be altered after the date on which they are first made available for inspection in pursuance of regulation 12.

Notice of public rights

14.—(1) Not later than 14 days before the commencement of the period during which the accounts and other documents are made available in pursuance of regulation 12, a relevant body to which regulation 9(2) applies, or in the case of a parish meeting, the chairman of the meeting, shall give notice by advertisement of the matters set out in paragraph (2).

(2) The matters referred to in paragraph (1) are—

- (a) the period during which the accounts and other documents referred to in paragraph (1) will be available for inspection in accordance with regulation 12;

(17) 1992 c. 19.

- (b) the place at which, and the hours during which, they will be so available;
- (c) the name and address of the auditor;
- (d) the rights conferred by section 17 of the 1982 Act, and the effect of subsections (4) and (5) of that section; and
- (e) the date appointed under regulation 11.

(3) A relevant body to which regulation 9(4) or (5) applies, or, in the case of a parish meeting, the chairman of the meeting, shall display a notice containing the information referred to in paragraph (2) above in a conspicuous place or places in the area of the body for a period of at least 14 days immediately prior to the period during which the accounts and other documents are made available under regulation 12.

(4) A relevant body or, as the case may be, a chairman of a parish meeting shall, on giving notice by advertisement or displaying a notice under paragraphs (1) or (3) above, forthwith notify the auditor in writing that a notice has been so given or displayed.

Written notice of proposed objection

15. Any written notice of a proposed objection given in pursuance of section 17(4) of the 1982 Act shall state the facts on which the local government elector proposes to rely, and contain, so far as possible—

- (a) particulars of any item of account which is alleged to be contrary to law, and
- (b) particulars of—
 - (i) any person from whom it is alleged that the auditor should certify under section 20 of that Act⁽¹⁸⁾ that a sum or amount of loss or deficiency is due, and
 - (ii) that sum or amount, and
- (c) particulars of any matter in respect of which it is proposed that the auditor could make a report under section 15(3) of that Act⁽¹⁹⁾.

Notice of conclusion of audit

16.—(1) As soon as reasonably possible after conclusion of an audit, a body to which regulation 9(2) applies or, in the case of a parish meeting, the chairman of the meeting, shall give notice by advertisement that the audit has been concluded and that the statement of accounts is available for inspection by local government electors.

(2) As soon as reasonably possible after conclusion of an audit, a body to which regulation 9(4) or (5) applies or, in the case of a parish meeting, the chairman of the meeting, shall display a notice in a conspicuous place or places in the area of the body for a period of at least 14 days stating that the audit has been completed and that

- (a) the income and expenditure account and the balance sheet, or
- (b) the record of receipts and payments,

as the case may be, required by these Regulations, is available for inspection by local government electors.

(3) Where any notice by advertisement is given or any notice is displayed pursuant to paragraph (1) or (2) above the statement of accounts, income and expenditure account and the balance sheet, or record of receipts and payments, as the case may be, made available for inspection shall—

⁽¹⁸⁾ Section 20(9) was substituted by article 2(8) of and Part I of Schedule I to the High Court and County Courts Jurisdiction Order 1991. Section 20(10) was amended by Schedule 4 to the Police and Magistrates Courts Act 1994.

⁽¹⁹⁾ Section 15 was amended by section 3(1) of and Schedule 4 to the Local Government Act 1992.

- (a) if the auditor's report requires amendment to them, either be a statement of accounts, income and expenditure account and the balance sheet, or record of receipts and payments as the case may be, revised as a result of the auditor's report, or be accompanied by a statement of the amendments required as a result of the auditor's report,
 - (b) if revised as described in sub-paragraph (a) above, be accompanied by an explanation as to the material respects in which the statement of accounts, income and expenditure accounts and the balance sheet or record of receipts and payments, as the case may be, has been altered as a result of the auditor's report,
 - (c) if revised as described in sub-paragraph (a) above, be accompanied by a statement that the statement of accounts, income and expenditure account and the balance sheet or record of receipts and payments, as the case may be, has been prepared as at the date of the original document and not as at the date of the revision and accordingly does not deal with events between those dates,
 - (d) contain a statement of the rights conferred on local government electors by section 24 of the 1982 Act(20), and
 - (e) state the address at which and the hours during which the statement of accounts, and any auditor's report, is available for the exercise of those rights.
- (4) A body to which this regulation applies shall, on giving or displaying a notice under paragraph (1) or (2), forthwith notify the auditor in writing that paragraph (1) or (2), as the case may be, has been complied with.
- (5) If the auditor's report requires amendment to the statement of accounts, income and expenditure account and balance sheet or record of receipt and payments ("the accounts"), the responsible financial officer shall report that amendment to the relevant body or to the committee of that body which approved the accounts pursuant to regulation 8(2) as soon as reasonably practicable.

Joint committees etc

17.—(1) Any joint committee, joint board, combined authority or National Park authority to which these regulations apply shall deposit with each constituent authority—

- (a) within the period of fourteen days specified by regulation 16(3), a copy of the auditors report, and
 - (b) where the committee, board or authority is a body to which regulation 6(3) applies, on giving notice under regulation 16(1) a copy of the statement of accounts.
- (2) In this regulation—
- (a) "relevant authority" means any local authority for the time being entitled to appoint members of the committee, board or authority in question; and in relation to a National Park authority includes—
 - (i) the Secretary of State;
 - (ii) the Countryside Commission (in relation to a National Park authority for a National Park in England); and
 - (iii) the Countryside Council for Wales (in relation to a National Park authority for a National Park in Wales).

(20) Section 24(1)(a) was amended by section 1(3) of the Local Government Finance (Publicity for Auditors' Reports) Act 1991 and section 24(3) was amended by sections 38 and 46 of the Criminal Justice Act 1982.

Extraordinary audit

18. Where, under section 22 of the 1982 Act, the Commission directs an auditor to hold an extraordinary audit of accounts of a relevant body, the body, or, in the case of a parish meeting, the chairman of the meeting, shall—

- (a) in the case of a body to which regulation 9(2) applies, give notice by advertisement, and
- (b) in the case of a body to which regulation 9(4) or (5) applies, display a notice in a conspicuous place or places in the area of the body,

concerning the right of any local government elector for the area to which the accounts relate to attend before the auditor and make objections to any of those accounts.

Offences

19.—(1) It is hereby declared that contravention of any of the provisions specified in paragraph (2) is an offence.

- (2) The provisions referred to in paragraph (1) are regulations 6, 7, 8, 9, 12, 13, 14, 16, and 18.

Signed by authority of the Secretary of State

29th February 1996

David Curry
Minister of State,
Department of the Environment

Signed by authority of the Secretary of State for Wales

5th March 1996

Gwilym Jones
Parliamentary Under Secretary of State, Welsh
Office