



Local Audit and Accountability Act 2014

2014 CHAPTER 2

PART 2

BASIC CONCEPTS AND REQUIREMENTS

2 Relevant authorities

- (1) In this Act “relevant authority” means a person or body listed in Schedule 2.
- (2) The application of this Act to a relevant authority is subject to any note forming part of the entry for that authority in Schedule 2.
- (3) The Secretary of State may by regulations amend Schedule 2 by adding, modifying or removing an entry relating to a relevant authority.
- (4) Regulations under subsection (3) may add an entry relating to a person or body to Schedule 2 only if that person or body exercises functions of a public nature in relation to an area which is—
 - (a) wholly in England, or
 - (b) partly in England and partly in Wales.
- (5) The Secretary of State may by regulations or order make provision about the application of this Act or provision made under it to a person or body that comes to fall within Schedule 2 (whether or not as a result of regulations under subsection (3)).
- (6) The power in subsection (5) includes power—
 - (a) to amend this Act or provision made under it in its application to that person or body, or
 - (b) to make provision for this Act or provision made under it to apply to that person or body with modifications.

3 General requirements for accounts

- (1) A relevant authority, other than a health service body, must keep adequate accounting records.

- (2) “Adequate accounting records” means records that are sufficient—
- (a) to show and explain the relevant authority’s transactions,
 - (b) to disclose at any time, with reasonable accuracy, the financial position of the authority at that time, and
 - (c) to enable the authority to ensure that any statements of accounts required to be prepared by the authority comply with the requirements imposed by or under this Act.
- (3) A relevant authority, other than a health service body, must prepare a statement of accounts in respect of each financial year.
- (4) In this Act “financial year” means a period of 12 months ending with 31 March.
- (5) The Secretary of State may by regulations—
- (a) make provision for the financial year of a relevant authority, other than a health service body, for the purposes of this Act to be such period as is specified in the regulations;
 - (b) make provision for any requirement in this section not to apply, or to apply with modifications, in relation to the relevant authorities, other than health service bodies, specified or described in the regulations.
- (6) Regulations under subsection (5)(a) may—
- (a) amend this Act or provision made under it in its application to a relevant authority to which the regulations apply, or
 - (b) provide for this Act or provision made under it to apply in relation to such a relevant authority with modifications.
- (7) Regulations under subsection (5)(a) may make provision in relation to—
- (a) all relevant authorities (other than health service bodies);
 - (b) the relevant authorities specified or described in the regulations.
- (8) Section 32 enables the Secretary of State by regulations to make further provision about accounting records and statements of accounts.
- (9) In this Act “health service body” means—
- (a) a clinical commissioning group;
 - (b) special trustees appointed as mentioned in section 212(1) of the National Health Service Act 2006 (special trustees for a university hospital or teaching hospital) for a hospital in England (referred to in this Act as “special trustees for a hospital”).

4 General requirements for audit

- (1) The accounts of a relevant authority for a financial year must be audited—
- (a) in accordance with this Act and provision made under it, and
 - (b) by an auditor (a “local auditor”) appointed in accordance with this Act or provision made under it.
- (2) In this Act, references to accounts are to be construed in accordance with the following subsections.
- (3) In relation to a relevant authority which is not a health service body, “accounts” means—

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- (a) the authority's accounting records, and
 - (b) the authority's statement of accounts.
- (4) In relation to a clinical commissioning group, "accounts" means—
- (a) the annual accounts of the group prepared under paragraph 17(2) of Schedule 1A to the National Health Service Act 2006 (accounts and audit of clinical commissioning groups);
 - (b) any accounts of the group prepared under paragraph 17(3) of that Schedule in respect of which a direction has been given under paragraph 17(5) of that Schedule.
- (5) In relation to special trustees for a hospital, "accounts" means the annual accounts of the trustees prepared under paragraph 3 of Schedule 15 to the National Health Service Act 2006.

5 Modification of Act in relation to smaller authorities

- (1) The Secretary of State may by regulations make provision about the audit of the accounts of smaller authorities.
- (2) Regulations under subsection (1) may, in particular, provide for any provision of or made under this Act not to apply, or to apply with modifications, in relation to smaller authorities.
- (3) Subsection (2) applies to a provision of or made under this Act even if it makes specific provision about a smaller authority to which the regulations apply.
- (4) Regulations under subsection (1) may, in particular—
- (a) provide for the appointment, by a person specified by the Secretary of State, of a local auditor in relation to the audit of the accounts of a smaller authority;
 - (b) make provision about the persons that may be specified by the Secretary of State;
 - (c) make provision about the procedure for specifying a person and for a person's specification to come to an end in specified circumstances;
 - (d) make provision about the consequences of a person's specification coming to an end, including for the exercise of functions by the Secretary of State and the transfer of the person's rights and liabilities arising by virtue of the regulations to the Secretary of State or another specified person;
 - (e) confer functions on a specified person, including in relation to—
 - (i) the appointment of local auditors under the regulations,
 - (ii) the activities of such auditors, and
 - (iii) the resignation or removal from office of such auditors;
 - (f) require a specified person to consult such persons as are specified in the regulations before exercising specified functions;
 - (g) make provision for the appointment of a local auditor in relation to the accounts of a smaller authority to which arrangements within paragraph (a) apply where the specified person does not make an appointment under the regulations (and in particular for such an appointment to be made by the authority or the Secretary of State).
- (5) Regulations under subsection (1) may, in particular—

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- (a) make provision about the smaller authorities to which arrangements within subsection (4)(a) apply, including provision for them to apply to an authority that has opted into them or has not opted out of them;
 - (b) make provision about the procedures to be followed in relation to opting into or out of those arrangements;
 - (c) impose duties on smaller authorities to which those arrangements apply, including duties as to—
 - (i) the payment of fees to a specified person, and
 - (ii) the provision of information to a specified person;
 - (d) make provision for the making of payments, in specified circumstances and by the smaller authorities to which those arrangements apply, to a fund of a specified kind for the purposes of meeting local auditors' costs of a specified kind.
- (6) Provision made by regulations under subsection (1) by virtue of subsection (5)(c)(i) may, in particular—
- (a) provide for fees to be paid in accordance with a scale or scales of fees determined by a specified person, and
 - (b) provide for the payment in specified circumstances of a larger or smaller fee than is set out in the appropriate scale.
- (7) Regulations under subsection (1) may, in particular—
- (a) make provision about the eligibility of a person to be appointed as a local auditor of the accounts of a smaller authority;
 - (b) make provision about the functions of a local auditor in relation to the accounts of a smaller authority.
- (8) Regulations under subsection (1) may, in particular—
- (a) provide that, in specified circumstances, the accounts of a smaller authority of a specified description are to be exempt from specified audit requirements;
 - (b) make provision for an exemption under paragraph (a) not to apply or to cease to apply to an authority in specified circumstances.
- (9) In this section “specified” (except in the expressions “person specified by the Secretary of State” and “specified person”) means specified in regulations under subsection (1).

6 Meaning of “smaller authority”

- (1) For the purposes of section 5, a relevant authority is a “smaller authority” for a financial year if—
- (a) where that year is the year in which the authority was established, the qualifying condition is met for that year,
 - (b) where that year is the year following that in which the authority was established, the qualifying condition is met for that year or the previous year, and
 - (c) where that year is the second or any subsequent year following that in which the authority was established, the qualifying condition is met for that year or either of the two previous years.
- (2) The qualifying condition is met for a relevant authority and a financial year if the higher of the authority's gross income for the year and its gross expenditure for the year does not exceed £6.5 million.

- (3) For the purpose of determining, at a time when a relevant authority's gross income or expenditure for a financial year cannot be accurately determined, whether subsection (2) applies or will apply to the authority, that subsection is to be read as referring to the authority's estimated gross income or expenditure (as the case may be).
- (4) The Secretary of State may by regulations make provision about the application of this Act (including in its application by virtue of section 5) or any provision made under it in a case where—
 - (a) an authority is treated as a smaller authority for a financial year, and
 - (b) the authority was not in fact a smaller authority for that year.
- (5) The Secretary of State may by regulations amend this section.