

**2003 No. 533**

**LOCAL GOVERNMENT, ENGLAND**

**The Accounts and Audit Regulations 2003**

<i>Made</i> - - - -	<i>6th March 2003</i>
<i>Laid before Parliament</i>	<i>11th March 2003</i>
<i>Coming into force</i>	<i>1st April 2003</i>

The First Secretary of State in exercise of the powers conferred on him under section 27 of the Audit Commission Act 1998<sup>(a)</sup> (“the 1998 Act”), section 134(6) of the Greater London Authority Act<sup>(b)</sup>, and of all other powers enabling him in that behalf, and after consulting in accordance with section 27(3) of the 1998 Act, 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, hereby makes the following Regulations—

**Citation and commencement**

1.—(1) These Regulations may be cited as the Accounts and Audit Regulations 2003 and shall come into force on 1st April 2003.

(2) These Regulations apply in England only<sup>(c)</sup>.

**Interpretation and application**

2.—(1) In these Regulations—

“the 1972 Act” means the Local Government Act 1972<sup>(d)</sup>;

“the 1989 Act” means the Local Government and Housing Act 1989<sup>(e)</sup>;

“the 1996 Regulations” means the Accounts and Audit Regulations 1996<sup>(f)</sup>;

“the 1998 Act” means the Audit Commission Act 1998;

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

“parish meeting” means a parish meeting of a parish not having a separate parish council;

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<sup>(a)</sup> 1998 c. 18.

<sup>(b)</sup> 1999 c. 29.

<sup>(c)</sup> The Secretary of State’s functions under the 1998 Act, so far as exercisable in relation to Wales are transferred to the National Assembly for Wales; see article 2 of, and Schedule 1 to, the National Assembly for Wales (Transfer of Functions) Order 1999 (S.I. 1999/672).

<sup>(d)</sup> 1972 c. 70.

<sup>(e)</sup> 1989 c. 42.

<sup>(f)</sup> S.I. 1996/590 as amended in relation to England by the Accounts and Audit (Amendment) (England) Regulations 2001 (S.I. 2001/3244), the Local Authorities (Capital Finance and Accounts) (England) Regulations 2000 (S.I. 2000/3237), the Local Government Act 1988 (Competition) (Revocations) Regulations 1997 (S.I. 1997/2747) and the Development Commission (Transfer of Function and Miscellaneous Provisions) Order 1999 (S.I. 1999/416).

“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(a), a local probation board or a Passenger Transport Executive(b);

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

“year” means the 12 months ending with 31st March.

(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(c), 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(d) or, if no nomination is made under that section, the person nominated by him for the purposes of these Regulations.

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

(4) Regulations 11(1), 13 to 16 and 18(1) shall, with all necessary modifications, apply to the accounts of an officer whose accounts are required to be audited by section 26 of the 1998 Act.

### **Revocation of instruments**

3. The following instruments are hereby revoked—

- (a) the Accounts and Audit Regulations 1996(e); and
- (b) the Accounts and Audit (Amendment) (England) Regulations 2001(f).

### **Responsibility for financial management**

4.—(1) The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk.

(2) The relevant body shall conduct a review at least once in a year of the effectiveness of its system of internal control and shall include a statement on internal control, prepared in accordance with proper practices, 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.—(1) Subject to paragraphs (3) and (4) and in so far as they are not in conflict with this paragraph or to any instructions given by a relevant body to its responsible financial officer, that officer shall determine on behalf of the body, its—

- (a) accounting records, including the form of accounts and supporting accounting records; and

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(a) 1977 (c. 49). There are amendments to section 98(1) not relevant to these Regulations.

(b) See paragraph 1(p) (as substituted by Schedule 1 paragraph 17(3) and section 4 of the Criminal Justice and Court Service Act 2000 (c. 43)) and paragraph 4 of Schedule 2 to the 1998 Act for the application of the 1998 Act to local probation boards and Passenger Transport Executives.

(c) Section 151 of the Local Government Act 1972 applies to a National Park authority, by virtue of section 63 of and paragraph 13(6) of Schedule 7 to the Environment Act 1995 (c. 25).

(d) 1988 c. 41. Section 114 is amended by section 139 of and Schedule 5 to the Local Government and Housing Act 1989 (c. 42), section 130 of the Greater London Authority Act 1999, the Local Authorities (Capital Finance and Accounts) (England) Regulations 2000 (S.I. 2000/3237), and other enactments not relevant to these Regulations.

(e) S.I. 1996/590.

(f) S.I. 2001/3244.

(b) accounting control systems,

and such an officer shall ensure that the accounting control systems determined by him are observed and that the accounting 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 on behalf of a relevant body in accordance with paragraph (1)(a) 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, statement of balances or record of receipts and payments and additional information to be provided by way of notes to the accounts, as the case may be, which are prepared under these Regulations, comply with these Regulations.

(3) The accounting records determined by the responsible financial officer on behalf of a relevant body in accordance with paragraph (1)(a) 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 on behalf of a relevant body in accordance with paragraph (1)(b) 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;
- (c) procedures to ensure that uncollectable amounts, including bad debts, are not 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 that the approval is shown in the accounting records; and
- (d) measures to ensure that risk is appropriately managed.

### **Internal audit**

6. A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices, and any officer or member of that 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.

### **Statement of accounts**

7.—(1) A body to which paragraphs (3) and (4) apply shall prepare in accordance with proper practices a statement of accounts for each year, which shall include the following—

- (a) an explanatory foreword;
- (b) a statement of accounting policies;
- (c) a statement of responsibilities for the statement of accounts;
- (d) such of the following accounting statements as are relevant to the functions of the relevant body—

- (i) consolidated revenue account;
  - (ii) housing revenue account;
  - (iii) collection fund;
  - (iv) consolidated balance sheet;
  - (v) statement of total movements in reserves;
  - (vi) cash flow statement;
  - (vii) group accounts;
  - (viii) 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;
- (e) notes to the accounts.

(2) The statement required by paragraph (1) above shall be accompanied by a note of the number of employees in the year to which the accounts relate whose remuneration fell in each bracket of a scale in multiples of £10,000 starting with £50,000; and, for such purposes, “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 joint authority**(a)**;
- (c) the Greater London Authority;
- (d) a functional body**(b)**;
- (e) the London Pensions Fund Authority**(c)**;
- (f) a committee of an authority mentioned in sub-paragraph (a), including a joint committee of two or more such authorities;
- (g) the Council of the Isles of Scilly;
- (h) the Broads Authority**(d)**;
- (i) a National Park authority**(e)**;
- (j) a policy authority**(f)**;
- (k) any fire authority constituted by a combination scheme**(g)**; and
- (l) the Greater London Magistrates’ Courts Authority**(h)**.

(4) Where in relation to a parish council or a parish meeting, the gross income or expenditure (whichever is the higher) for the year is, and for each of the two immediately preceding years 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) In the case of a local authority which is required by section 74 of the 1989 Act**(i)** to keep a Housing Revenue Account, the statement of accounts required by paragraph (1) shall include also an account in respect of a reserve for major repairs to property of the authority to which section 74(1) of the 1989 Act for the time being applies (to be called a major repairs reserve), showing in particular both—

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**(a)** Under article 9(2) of the Waste Regulation and Disposal (Authorities) Order (S.I. 1985/1884), a reference to a joint authority subject to audit includes a reference to an authority established by that Order.

**(b)** See section 424(1) of the Greater London Authority Act 1999 for the definition of “functional body”.

**(c)** See the London Government Reorganisation (Pensions etc.) Order 1989 (S.I. 1989/1815).

**(d)** Established by the Norfolk and Suffolk Broads Act 1988 (c. 4).

**(e)** Established under the Environment Act 1995.

**(f)** Established under section 3 of the Police Act 1996 c. 16.

**(g)** A combination scheme is made in accordance with the Fire Services Act 1947 (c. 42).

**(h)** The Greater London Magistrates’ Courts Authority was established by section 30A of the Justices of the Peace Act 1997 (inserted by section 83(1) of the Access to Justice Act 1999 (c. 22)). The Authority was made a body subject to audit under the 1998 Act by the Greater London Magistrates’ Courts Authority (Accounts and Audit) Regulations 2001 (S.I. 2001/734).

**(i)** Section 74 is amended by section 222 of and Schedule 18 to the Housing Act 1996 (c. 52).

- (a) a debit in respect of expenditure which is—
  - (i) excluded from the obligation in section 41(1) of the 1989 Act because of regulation 12A of the Local Authorities (Capital Finance) Regulations 1997(a), and
  - (ii) not carried to the debit of the Housing Revenue Account of the authority under item 2(b) of Part II of Schedule 4 to the 1989 Act(b); and
- (b) a credit of an amount in respect of any charge for depreciation included in the Housing Revenue Account under item 8 of Part II of Schedule 4 to the 1989 Act.

(6) The Common Council of the City of London shall in relation to the accounts referred to in paragraph 2 of Schedule 2 to the 1998 Act prepare for each year, 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 paragraph, differentiated in respect of different services and showing the sources of finance of the year's 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.

(7) This Regulation shall apply to accounts for the year ending with 31st March 2003, as well as subsequent years.

#### **Summary statement of accounts—Greater London Authority**

8. The summary statement of accounts which the Greater London Authority (“the Authority”) is required to prepare by section 134 of the Greater London Authority Act 1999 shall be prepared in accordance with proper practices and shall include—

- (a) a summary of the income and expenditure of the Authority;
- (b) a summary of the income and expenditure of each of the functional bodies and the London Pensions Fund Authority;
- (c) a summary of the capital expenditure of the Authority; and
- (d) a summary of the capital expenditure of each of the functional bodies and the London Pensions Fund Authority.

#### **Other accounting statements**

9.—(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 year.

(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(c);
- (b) a port health authority(d);
- (c) a licensing planning committee(e); and
- (d) an internal drainage board(f).

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(a) S.I. 1997/319, as amended by S.I. 2000/3237.

(b) Item 2 is amended by section 127 of the Leasehold Reform, Housing and Urban Development Act 1993 (c. 28).

(c) 1992 c. 19. Such orders and regulations include those giving effect to the recommendations of the Local Government Commission (now the Electoral Commission as a result of article 6 of the Local Government Commission for England (Transfer of Functions) Order 2001, S.I. 2001/3962).

(d) Established under section 2 of the Public Health (Control of Disease) Act 1984 (c. 22).

(e) Established under section 119 of the Licensing Act 1964 (c. 26).

(f) Established under section 1 of the Land Drainage Act 1991 (c. 59).

(3) Where in relation to a parish council, or a parish meeting, the gross income or expenditure (whichever is the higher) for the year is, and for each of the two immediately preceding years was less than £500,000 and—

- (a) was less than £100,000 for the year or for either of the two immediately preceding years, the council or the chairman of the meeting, as the case may be, shall prepare in accordance with and in the form specified in any Annual Return required by proper practices—
  - (i) a record of receipts and payments of the council or meeting in relation to that period; or
  - (ii) an income and expenditure account and a statement of balances of the council or meeting in relation to that period; or
- (b) was £100,000 or more for the year and for each of the two immediately preceding years, the council or the chairman of the meeting, as the case may be, shall prepare in accordance with and in the form specified in any Annual Return required by proper practices an income and expenditure account and a statement of balances of the council or meeting in relation to that period.

(4) This Regulation shall apply in respect of the year ending with 31st March 2003 as well as subsequent years.

#### **Signing and approval of statement of accounts etc**

10.—(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 statement of balances, or
- (c) where no income and expenditure account and statement of balances are required to be prepared, the record of receipts and payments of the body,

is prepared in accordance with these Regulations.

(2) Before the approval referred to in paragraphs (3) and (4) is given, the responsible financial officer of a relevant body shall sign and date the statement of accounts, income and expenditure account and statement of balances, 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 year to which it relates and its income and expenditure or that it properly presents receipts and payments, as the case may be, for that year.

(3) Subject to paragraph (5), in respect of all relevant bodies referred to in regulations 7(1) and 7(6)—

- (a) the statement of accounts as required by regulation 7(1) or regulation 7(6), 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 before the 30th June immediately following the end of a year, and
- (b) following approval in accordance with sub-paragraph (a), the statement of accounts shall be signed and dated by the person presiding at the committee or meeting at which that approval was given.

(4) In respect of all relevant bodies referred to in regulation 9(2) and (3)—

- (a) the income and expenditure account and balance sheet as required by regulation 9(1), the record of receipts and payments or income and expenditure account and statement of balances as required by regulation 9(3)(a) or the income and expenditure account and statement of balances as required by regulation 9(3)(b), 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 before the 30th September immediately following the end of a year, and
- (b) following approval in accordance with sub-paragraph (a), the record of receipts and payments or the income and expenditure account and statement of balances, as the case may be, shall be signed and dated by the person presiding at the committee or meeting at which the approval was given.

(5) The reference in paragraph (3)(a) above to “the 30th June” shall be read in respect of the year ending with—

- (a) 31st March 2003 as a reference to “the 30th September”
- (b) 31st March 2004 as a reference to “the 31st August”; and
- (c) 31st March 2005 as a reference to “the 31st July”.

#### **Publication of statement of accounts etc**

**11.**—(1) Subject to paragraph (3), as soon as reasonably possible after conclusion of an audit, and in any event before the 30th September immediately following the end of a year, a relevant body to which paragraph (2) below applies, or, in the case of a parish meeting, the chairman, shall—

- (a) publish by means other than merely by reference in the documents of meetings, committees or sub-committees of the body, the statement of accounts prepared in accordance with regulation 7 together with any certificate, opinion, or report issued, given or made by the auditor under sections 9(1)(a) and 19A of the 1998 Act<sup>(a)</sup> 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 7(3) applies;
- (b) a relevant body referred to in regulation 7(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) The reference in paragraph (1) to “the 30th September” shall be read in respect of the year ending with—

- (a) 31st March 2003 as a reference to “the 31st December”
- (b) 31st March 2004 as a reference to “the 30th November”; and
- (c) 31st March 2005 as a reference to “the 31st October”.

#### **Publication of income and expenditure account and receipts and payments**

**12.**—(1) As soon as reasonably possible after conclusion of an audit, and in any event before the 31st December immediately following the end of a year, a relevant body to which paragraph (2) applies, or, in the case of a parish meeting, the chairman of that meeting, shall—

- (a) publish by means other than merely by reference in the documents of meetings, committees or sub-committees of the body, the income and expenditure account and the statement of balances prepared in accordance with regulation 9(3) together with any certificate, opinion, or report issued, given or made by the auditor under sections 9(1)(a) and 19A of the 1998 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.

(2) This paragraph applies to—

- (a) a relevant body to which regulation 9(2) applies; and
- (b) a relevant body referred to in regulation 9(3)(b), in relation to the accounts for a period to which that regulation applies.

(3) As soon as reasonably possible after the conclusion of an audit, and in any event before the 31st December immediately following the end of a year, a relevant body referred to in regulation 9(3)(a) 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.

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<sup>(a)</sup> Section 19A was inserted by section 91 of the Local Government Act 2000 (c. 22).

(4) For the purposes of paragraph (3) “requisite information” means the record of receipts and payments prepared in accordance with regulation 9(3)(a) together with any certificate, opinion, or report issued, given or made by the auditor under sections 9(1)(a) and 19A of the 1998 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.

### **Appointment of date for the exercise of rights of electors**

**13.** The auditor shall, for the purpose of the exercise of rights under section 15(2) and 16(1) of the 1998 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**

**14.—(1)** Subject to paragraph (2), the relevant body or, as the case may be, the chairman, notified under regulation 13, shall make the accounts and other documents mentioned in section 15 of the 1998 Act available for public inspection for 20 working days before the date appointed by the auditor under that regulation.

(2) The council of a parish, or the chairman of a parish meeting of a parish not having a separate council, notified under regulation 13, shall make the accounts and other documents in relation to a period to which regulation 9(3) applies available for public inspection on reasonable notice.

### **Alteration of accounts**

**15.** Except with the consent of the auditor, accounts and other documents shall not be altered after the date on which they are first made available for inspection in pursuance of regulation 14.

### **Notice of public rights**

**16.—(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 14, a relevant body to which regulation 11(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 14;
- (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 provisions contained in section 15 and section 16 of the 1998 Act; and
- (e) the date appointed under regulation 13.

(3) 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, shall display a notice containing—

- (a) subject to sub-paragraph (b), 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 14; or
- (b) instead of the information referred to in paragraph 2(b) above, details of the manner in which notice should be given of an intention to inspect the accounts and other documents.

### **Written notice of proposed objection**

**17.—(1)** Any written notice of a proposed objection given in pursuance of section 16(2) of the 1998 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 any matter in respect of which it is proposed that the auditor could make a report under section 8 of that Act.

(2) In relation to relevant bodies to which Part III of the Local Government Act 2000 applies<sup>(a)</sup>, paragraph (1) shall apply in respect of matters occurring before such a body first adopted a code of conduct under that Act or such a code was first applied to it, with the addition of particulars of any person from whom it is alleged that the auditor should certify under section 18 of the 1998 Act<sup>(b)</sup> that a sum or amount of loss or deficiency is due and the sum of that amount.

#### **Notice of conclusion of audit**

**18.**—(1) As soon as reasonably possible after conclusion of an audit, a body to which regulation 11(2) applies or, in the case of a parish meeting, the chairman of the meeting, shall give notice by advertisement stating that the audit has been concluded and that the statement of accounts is available for inspection by local government electors and including—

- (a) a statement of the rights conferred on local government electors by section 14 of the 1998 Act; and
- (b) the address at which and the hours during which those rights may be exercised.

(2) As soon as reasonably possible after conclusion of an audit, 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, 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 the income and expenditure account and the statement of balances, or the record of receipts and payments, as the case may be, required by these Regulations is available for inspection by local government electors and including—

- (a) a statement of the rights conferred on local government electors by section 14 of the 1998 Act; and
- (b) the address at which and the hours during which those rights may be exercised.

(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 statement of balances, or record of receipts and payments, as the case may be, made available for inspection shall—

- (a) if as a result of the auditor’s report any material amendment is required to them, either 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 they have been altered as a result of the auditor’s report; and
- (c) if revised as described in sub-paragraph (a) above, be accompanied by a statement that they have been prepared as at the date of the original document and not as at the date of the revision and accordingly do not deal with events between those dates.

(4) If as a result of the auditor’s report any material amendment is required to the statement of accounts, income and expenditure account and statement of balances or record of receipts and payment (“the accounts”), the responsible financial officer shall report such amendment to the relevant body or the committee of that relevant body which approved the accounts pursuant to regulation 10(3) or (4) as soon as reasonably practicable.

#### **Publication of annual audit letter**

**19.** As soon as reasonably possible after it is received, a relevant body shall—

- (a) publish the annual audit letter received from the auditor; and
- (b) make copies available for purchase by any person on payment of such sum as the relevant body may reasonably require.

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<sup>(a)</sup> See section 49(6) of that Act for the definition of such bodies.

<sup>(b)</sup> Repealed by section 90 of and Schedule 6 to the Local Government Act 2000.

### **Joint committees etc**

**20.**—(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 18(2), a copy of the auditor's report, and
- (b) where the committee, board or authority is a body to which regulation 7(3) applies, on giving notice under regulation 18(1), a copy of the statement of accounts.

(2) In this regulation—

- (a) “constituent authority” means any county, district, London borough or parish council 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; and
  - (ii) the Countryside Agency<sup>(a)</sup>.

### **Extraordinary audit**

**21.** Where, under section 25 of the 1998 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 11(2) applies, give notice by advertisement, and
- (b) in the case of a body to which regulation 12(2) applies or which is referred to in regulation 12(3), 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**

**22.**—(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 4, 7, 9, 10, 11, 12, 14, 15, 16, 18, 19 and 21.

Signed by authority of the First Secretary of State

6th March 2003

*Christopher Leslie*  
Parliamentary Under Secretary of State  
Office of the Deputy Prime Minister

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<sup>(a)</sup> See article 3 of the Development Commission (Transfer of Functions and Miscellaneous Provisions) Order 1999 (SI 1999/416) regarding the change of name of the Countryside Commission to the Countryside Agency and the transfer to the Countryside Agency of various functions.

## 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.

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.

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.

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