WELSH STATUTORY INSTRUMENTS

2005 No. 368 (W.34)

LOCAL GOVERNMENT, WALES

The Accounts and Audit (Wales) Regulations 2005

Made - - - -	*22 February 2005*
Coming into force - -	*1 April 2005*

The National Assembly for Wales in exercise of the powers conferred on it under sections 13, 32, 105 and 106 of the Local Government Act 2000(**1**), sections 39 and 58 of the Public Audit (Wales) Act 2004(**2**), and after consulting in accordance with section 39(2) of that Act, the Auditor General for Wales, such associations of local authorities as appear to it to be concerned and such bodies of accountants as appear to it to be appropriate hereby makes the following Regulations —

Name and commencement

1.—(1) These Regulations are called the Accounts and Audit (Wales) Regulations 2005 and shall come into force on 1 April 2005.

(2) These Regulations apply to Wales only.

Interpretation and application

2.—(1) In these Regulations —

"the 1972 Act" ("*Deddf 1972*") means the Local Government Act 1972(**3**);

"the 1989 Act" ("*Deddf 1989*") means the Local Government and Housing Act 1989(**4**);

"the 1996 Regulations" ("*Rheoliadau 1996*") means the Accounts and Audit Regulations 1996(**5**);

"the 1998 Act" ("*Deddf 1998*") means the Audit Commission Act 1998(**6**);

"the 2003 Act" ("*Deddf 2003*") means the Local Government Act 2003(**7**);

"the 2004 Act" ("*Deddf 2004*") means the Public Audit (Wales) Act 2004(**8**);

(**1**) 2000 c. 22.
(**2**) 2004 c. 23.
(**3**) 1972 c. 70.
(**4**) 1989 c. 42.
(**5**) S.I.1996/590.
(**6**) 1998 c. 18.
(**7**) 2003 c. 26.
(**8**) 2004 c. 23.

"community council" ("*cyngor cymuned*") means a community or town council in accordance with section 27 of the 1972 Act;

"fire and rescue authority" ("*awdurdod tân ac achub*") means an authority constituted by a scheme under section 2 of the Fire and Rescue Services Act 2004 or a scheme to which section 4 of that Act applies(**9**);

"local government body" ("*corff llywodraeth leol*") means a local government body in Wales whose accounts are required to be audited in accordance with Chapter 1 of Part 2 of the 2004 Act other than a local probation board established under section 4 of the Criminal Justice and Court Services Act 2000(**10**);

"notice by advertisement" ("*hysbysiad drwy hysbyseb*") means a notice published in one or more local newspapers circulating in the area of the local government body;

"working day" ("*diwrnod gwaith*") means any day other than a Saturday, Sunday, Christmas Day, Good Friday or any other day which is a bank holiday in Wales; and

"year" ("*blwyddyn*") means the 12 months ending with 31st March.

(2) Any reference in these Regulations to the "responsible financial officer " ("*swyddog ariannol cyfrifol*") 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 local government 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 that person's staff as is nominated by that person for the purposes of section 114 of the Local Government Finance Act 1988(**11**) or, if no nomination is made under that section, the person nominated by that person for the purposes of these Regulations.

(3) These Regulations shall apply to all local government bodies.

(4) Regulations 10(1), 12 to 15 and 17(1) shall, with all necessary modifications, apply to the accounts of an officer whose accounts are required to be audited by section 38 of the 2004 Act.

Revocation and saving of instruments

3.—(1) Subject to paragraph (2) the following instruments are hereby revoked —

(a) the 1996 Regulations; and

(b) the Accounts and Audit (Amendment) (Wales) Regulations 2001(**12**).

(2) The Regulations in paragraph (1) are saved in so far as they apply to accounts for the financial year ending 31 March 2005 and the audit of those accounts.

Responsibility for internal control and financial management

4.—(1) The local government body shall be responsible for putting in place and ensuring that there is a sound system of internal control which facilitates the effective exercise of that body's functions and which includes

(a) arrangements for the management of risk; and

(b) adequate and effective financial management.

(**9**) 2004 c. 21.
(**10**) 2000 c. 43. *See* sections 12 and 59 of thhe Public Audit (Wales) Act 2004.
(**11**) 1988 c. 41.
(**12**) S.I. 2001/3760.

(2) The local government 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, when relevant (**13**), with —

(a) any statement of accounts it is obliged to publish in accordance with regulation 10, or

(b) any statement of accounts if the council so decides, 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 11.

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 local government body to its responsible financial officer, that officer shall determine on behalf of the body after consideration, when relevant, of proper practices, its —

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

(b) accounting control systems,

and such an officer shall ensure that the accounting control systems determined by that person are observed and that the accounting records of the body are kept up to date and maintained in accordance with the requirements of any enactment and proper practices.

(2) The accounting records determined by the responsible financial officer on behalf of a local government body in accordance with paragraph (1)(a) shall be sufficient to show the body's financial 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 local government 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 accounts 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 the National Assembly for Wales, any Minister of the Crown or a body to whom the National Assembly for Wales or such a Minister may pay sums of monies.

(4) The accounting control systems determined by the responsible financial officer on behalf of a local government 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 that

(**13**) *See* section 21(2) of the Local Government Act 2003 (c. 22), and the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (S.I. 2003/3239 W.319) as amended by the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2004 (S.I. 2004/1010 (W.107)).

person's staff as is nominated 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 local government 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 prefaced by an explanatory foreword which shall include —

(a) a statement of accounting policies;

(b) a statement of responsibilities for the statement of accounts;

(c) such of the following accounting statements as are relevant to the functions of the local government body —

(i) consolidated revenue account;

(ii) housing revenue account;

(iii) consolidated balance sheet;

(iv) statement of total movement of reserves;

(v) cash flow statement;

(vi) group accounting and group financial statements in accordance with proper practices;

(vii) 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;

(d) notes to the accounts.

(2) The statement required by paragraph (1) 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 £60,000; and, for such purposes, "remuneration" means all amounts paid to or receivable by an employee or a member, 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 or a member otherwise than in cash.

(3) This paragraph applies to the following bodies —

(a) a county council or a county borough council in Wales;

(b) a joint authority;

(c) a committee of a local authority in Wales (including a joint committee of two or more local authorities in Wales);

(d) a National Park Authority for a National Park in Wales;

(e) a police authority for a police area in Wales;

(f) a fire and rescue authority.

(4) Where in relation to a community council, the gross income or expenditure (whichever is the higher) for the year is, and for each of the two immediately preceding years was, £1,000,000 or more, the requirements of paragraphs (1) and (2) above shall apply to that council in respect of that period.

(5) Where a county council or a county borough council is required by section 74 of the 1989 Act to maintain a Housing Revenue Account the statement of accounts required by paragraph (1) shall include a note prepared in accordance with proper practices in relation to any Major Repairs Allowance grant paid to the county council or county borough council under section 31 of the 2003 Act detailing income and expenditure and any balance on any account used to record the grant.

(6) This Regulation shall apply to accounts for the year ending with 31 March 2006, and subsequent years.

Other accounting statements

8.—(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) a port health authority; and

(b) a licensing planning committee; and

(c) an internal drainage board.

(3) Where in relation to a community council, 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 £1,000,000 and was:

(a) £100,000 or more for the year and for each of the two immediately preceding years and if the council so determines, the council shall prepare in accordance with proper practices a statement of accounts in the form specified in regulations 7(1) and (2); or

(b) £100,000 or more for the year and for each of the preceding two years, the council 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 in relation to that period; or

(c) less than £100,000 for the year or for either of the two immediately preceding years, the council 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 in relation to that period; or

(ii) an income and expenditure account and a statement of balances of the council in relation to that period.

(4) This Regulation shall apply in respect of the year ending with 31 March 2006 and subsequent years.

Signing and approval of statement of accounts etc

9.—(1) A local government 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