STATUTORY INSTRUMENTS

2015 No. 234

LOCAL GOVERNMENT, ENGLAND AND WALES

The Accounts and Audit Regulations 2015

Made - - - -	*12th February 2015*
Laid before Parliament	*17th February 2015*
Coming into force - -	*1st April 2015*

[F1]The Secretary of State makes the following Regulations in exercise of the powers conferred by sections 32, 43(2) and 46 of the Local Audit and Accountability Act 2014 .

In accordance with section 32(3) of the Act he has consulted the Comptroller and Auditor General, such representatives of relevant authorities as he thinks appropriate, and the recognised supervisory bodies.

F1 2014 c. 2; see also section 134(6) of the Greater London Authority Act 1999 (c.29) (amended by paragraph 43 of Schedule 12 to the Local Audit and Accountability Act 2014) and S.I. 2015/179 (C.11).

Modifications etc. (not altering text)

C1 Regulations modified by S.I. 2009/276, reg. 9(4) (as substituted (E.) (5.9.2018) by The Local Government (Structural Changes) (General) (Amendment) Regulations 2018 (S.I. 2018/930), regs. 1, **7(5)**)

C2 Regulations modified by S.I. 2009/276, reg. 10(2) (as substituted (E.) (5.9.2018) by The Local Government (Structural Changes) (General) (Amendment) Regulations 2018 (S.I. 2018/930), regs. 1, **7(6)**)

PART 1

Introductory

Citation, commencement and application

1.—(1) These Regulations may be cited as the Accounts and Audit Regulations 2015 and come into force on 1st April 2015.

(2) Regulations 2 to 21 and Schedule 1 apply in relation to any financial year [F2] beginning on or after 1st April 2015.

(3) These Regulations apply to relevant authorities [F3] other than health service bodies [F4].

F2 See section 3(2) of the Local Audit and Accountability Act 2014 for the definition of "financial year".
F3 See section 2 of and Schedule 2 to the Local Audit and Accountability Act 2014 for the definition of "relevant authority".
F4 See section 3(9) of the Local Audit and Accountability Act 2014 for the definition of "health service body".

Interpretation

2.—(1) In these Regulations—

"the 1989 Act" means the Local Government and Housing Act 1989 [F5];

"the 2011 Act" means the Police Reform and Social Responsibility Act 2011 [F6];

"the Act" means the Local Audit and Accountability Act 2014;

"audit letter" means the annual audit letter to the relevant authority by the local auditor sent pursuant to the Code of Audit Practice published by the National Audit Office, 157-197 Buckingham Palace Road, Victoria, London SW1W 9SP and dated January 2015. Reference number: 10495-001;

"Category 1 authority" means a relevant authority that either—

(a) is not a smaller authority [F7]; or

(b) is a smaller authority that has chosen to prepare its accounts for the purpose of a full audit in accordance with regulation 8 of the Smaller Authorities Regulations;

"Category 2 authority" means a smaller authority which is not a Category 1 authority;

"Category 2 authority with exempt status" means a Category 2 authority that has certified itself as exempt under regulation 9(1) of the Smaller Authorities Regulations;

"period for the exercise of public rights" means the period of time referred to in regulation 14 within which the rights of objection, inspection and questioning of the local auditor conferred by sections 26 and 27 of the Act may be exercised;

"Smaller Authorities Regulations" means the Local Audit (Smaller Authorities) Regulations 2015 [F8];

"working day" means any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday in England under the Banking and Financial Dealings Act 1971 [F9].

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

(a) the person who, by virtue of—

(i) section 151 of the Local Government Act 1972 [F10] (financial administration);

(ii) section 17(1) of the Norfolk and Suffolk Broads Act 1988 [F11] (accounts);

(iii) section 112(1) of the Local Government Finance Act 1988 [F12] (financial administration as to certain authorities);

(iv) section 6(1) of the 1989 Act (officer responsible for financial administration of certain authorities);

(v) paragraph 13(6) of Schedule 7 to the Environment Act 1995 [F13] (National Park Authorities);

(vi) section 127(2) of the Greater London Authority Act 1999 [F14];

(vii) paragraph 6(1)(b) of Schedule 1 to the 2011 Act (police and crime commissioners);

(viii) paragraph 4(1) of Schedule 2 to the 2011 Act (chief constables);

(ix) paragraph 1(1) of Schedule 4 to the 2011 Act (Commissioner of Police of the Metropolis);

as the case may be, is responsible for the administration of the financial affairs of a relevant authority or, if no person is so responsible, the person who is responsible for keeping the accounts of such an authority; or

(b) if the person referred to in sub-paragraph (a) (P) is unable to act owing to absence or illness, such member of P's staff as is nominated by P for the purposes of section 114 of the Local Government Finance Act 1988 [F15] (functions of responsible officer as regards reports) or where that section does not apply to the relevant authority, such member of staff as is nominated by P for the purposes of these Regulations.

(3) Where a relevant authority is a corporation sole, references to "members of the authority meeting as a whole" are to a holder of that office of corporation sole.

(4) The references in these Regulations to a "local auditor" in—

(a) regulation 12(3)(b); and

(b) regulation 15(2)(b)(iii),

must, where such a reference concerns a Category 2 authority with exempt status, which is also an opted in authority [F16] within the meaning of the Smaller Authorities Regulations, be construed as a reference to the specified person under regulation 3 of those Regulations.

(5) Any reference in these Regulations to publication on an authority's website must be construed as—

(a) in the case of a Category 2 authority without its own website, a reference to publication on any website, provided that information so published is accessible by any member of the public without registration or payment;

(b) in the case of a Category 2 authority which is a parish meeting, a reference to—

(i) publication on a website of the type specified in paragraph (a); or

(ii) displaying the information in question in a conspicuous place in the area of the authority for at least 14 days.

F5 1989 c. 42.
F6 2011 c. 13.
F7 See section 6 of the Local Audit and Accountability Act 2014 for the definition of "smaller authority".
F8 S.I. 2015/184.
F9 1971 c. 80.
F10 1972 c. 70.
F11 1988 c. 4.
F12 1988 c. 41.
F13 1995 c. 25.
F14 1999 c. 29.
F15 1988 c. 41. Section 114 was amended by section 130(1), and (2) of the Greater London Authority Act 1999, section 99 of and paragraphs 180 and 188 of Part 3 of Schedule 16 to the Police Reform and Social Responsibility Act 2011.
F16 See regulation 2 of the Local Audit (Smaller Authorities) Regulations 2015, S.I. 2015/184 for the definition of "opted in authority".

PART 2

Internal control

Responsibility for internal control

3. A relevant authority must ensure that it has a sound system of internal control which—

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

(b) ensures that the financial and operational management of the authority is effective; and

(c) includes effective arrangements for the management of risk.

Accounting records and control systems

4.—(1) Subject to paragraphs (3) and (4), and, in so far as they are not in conflict with those paragraphs, to any instructions given by a relevant authority to its responsible financial officer, that officer must determine, on behalf of the authority—

(a) the form of its accounting records and supporting records; and

(b) its financial control systems.

(2) The responsible financial officer for a relevant authority must ensure on behalf of that authority that the financial control systems determined by that officer in accordance with sub-paragraph (1)(b) are observed and that the accounting records of the authority are kept up to date.

(3) The accounting records must, in particular, contain—

(a) entries from day to day of all sums of money received and expended by the authority and the matters to which its income and expenditure or receipts and payments relate; and

(b) a record of the assets and liabilities of the authority.

(4) The financial control systems determined in accordance with paragraph (1)(b) must include–

(a) measures—

(i) to ensure that the financial transactions of the authority are recorded as soon as, and as accurately as, reasonably practicable;

(ii) to enable the prevention and the detection of inaccuracies and fraud, and the reconstitution of any lost records; and

(iii) to ensure that risk is appropriately managed;

(b) identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers.

Internal audit

5.—(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

(a) make available such documents and records; and

(b) supply such information and explanations;

as are considered necessary by those conducting the internal audit.

(3) In this regulation "documents and records" includes information recorded in an electronic form.

Review of internal control system

6.—(1) A relevant authority must, each financial year—

(a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and

(b) prepare an annual governance statement;

(2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must—

(a) consider the findings of the review required by paragraph (1)(a)—

(i) by a committee; or

(ii) by members of the authority meeting as a whole; and

(b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of—

(i) a committee; or

(ii) members of the authority meeting as a whole.

(3) If the relevant authority referred to in paragraph (1) is a Category 2 authority, following the review it must—

(a) consider the findings of the review by members of the authority meeting as a whole; and

(b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of members of the authority meeting as a whole.

(4) The annual governance statement, referred to in paragraph (1)(b) must be—

(a) approved in advance of the relevant authority approving the statement of accounts in accordance with regulations 9(2)(b) or 12(2)(b) (as the case may be); and

(b) prepared in accordance with proper practices in relation to accounts [F17].

F17 See section 21 of the Local Government Act 2003 (c.26) for the definition of "proper practices in relation to accounts".

PART 3

Published accounts and audit – Category 1 authorities

Statement of accounts for Category 1 authorities

7.—(1) A statement of accounts prepared by a Category 1 authority under section 3(3) of the Act must be prepared in accordance with—

(a) these Regulations; and

(b) proper practices in relation to accounts.

(2) The statement referred to in paragraph (1) must include such of the following accounting statements as are relevant to that authority's functions—

(a) housing revenue account;