

22 March 2011

Accounts and Audit Regulations statutory  
consultees

Chief Executives of local authorities in England  
Directors of Finance of local authorities in England

Dear colleague,

**Accounts and Audit (England) Regulations 2011  
SI 2011 No 817**

1. On 24 January we consulted you on proposals to revise and consolidate the Accounts and Audit Regulations. Over 150 responses were received to the consultation and we are most grateful for the comments made. This letter is to notify you of the making of the regulations and of changes made to the draft instrument in the consultation paper as a result of the responses.

2. The Accounts and Audit (England) Regulations 2011 are available at:

<http://www.legislation.gov.uk/ukxi/2011/817/contents/made>

There is also a PDF version of the statutory instrument and an explanatory memorandum available through links from that address (go to the "Explanatory Memorandum" and "More Resources" tabs on the web page).

3. It is intended to issue an updated version of DCLG Circular 03/2006 shortly. This will be placed on the DCLG website, together with a summary of the consultation responses. In the meantime this letter addresses some of the points that have been raised in responses where immediate clarification will be helpful to relevant bodies to which the regulations apply.

***Commencement of the regulations***

4. The regulations come into force on 31 March 2011 (see regulation 1(1)). This means that they will apply to the preparation, approval and audit of statements of accounts and other accounting statements prepared in respect of the year ending 31 March 2011 and later years. Urgent attention will be required in particular to:

- the implications of the revised threshold in the definition of “smaller relevant body” (see regulation 2(1))
- the revised procedures for certification, approval and publication of accounting statements (see regulation 8 for larger relevant bodies and regulation 13 for smaller relevant bodies).

### ***Changes from the consultation draft***

5. A number of respondents pointed out that, in accordance with guidance issued by CIPFA and the Society of Local Authority Chief Executives and Senior Managers, most relevant bodies now prepare an annual governance statement in place of the statement on internal control required by the Accounts and Audit Regulations. We have decided to recognise this change in the regulations, and regulation 4(3) now requires all relevant bodies to prepare an annual governance statement.

6. In response to suggestions made for changes to the wording of regulation 6 on internal audit we have:

- replaced the requirement for relevant bodies to “maintain an adequate and effective internal audit” with a requirement to “undertake” such an audit.
- revised the right of access in regulation 6(2)(a) so that it refers to “documents and records” rather than “documents which relate to its accounting and other records”

The revised wording more accurately reflects the nature of internal audit and the items to which access is required.

7. The requirements that bodies should use their best endeavours to publish their accounting statements by 30 September and, in the case of smaller bodies, to approve their accounts by 30 June have been replaced by requirements that bodies “must” comply with these time limits (see regulations 8(3), 13(3) and 13(4)). This reflects a general consensus in the responses that the “best endeavours” wording would lead to uncertainty and disputes, and a preference for more definite time limits.

8. The arrangements for providing access each year for 20 working days to a smaller body’s accounts and supporting documents have been amended. The provision that access is available on reasonable notice now applies to all the smaller bodies rather than only those with annual income or expenditure of not more than £200,000. This reflects a general request in the responses. In our view this change reduces a burden on the smaller bodies without prejudicing the rights of the public.

### ***Notification of rights to the public***

9. In a number of places the new regulations require larger relevant bodies to place notices of public rights and documents (including their statements of accounts) on their websites. Smaller relevant bodies are not subject to these requirements, since many of them will not have their own websites. But we hope that any smaller body which does have a website will see the merit in using it to notify the public of their inspection rights and generally to provide greater transparency to the year end

accounts and the audit process. Other means of bringing these rights to the notice of public, such as mention in parish news sheets, could also be considered as a supplement to the requirement in the regulations to display a notice.

### ***Statements of accounts – reference to members (larger relevant bodies)***

10. There was a general welcome in the responses to the revised procedure in regulation 8 for approval of statements of accounts by members. This will now happen when members can be made aware of the findings of the audit and hence make a better informed decision. However, a number of those responding said that they would continue, in addition, to put the statement of accounts to members once it is certified by the responsible financial officer under regulation 8(2). We would support this as good practice, giving members early notification of the financial outcome of the previous financial year. Publication of the statement of accounts at this stage on the authority's website would be in line with the Government's policy of increased transparency, provided the unaudited status of the statement was clearly signposted. Reference to members and publication at this stage is not of course a requirement of the regulations and would not be covered by any deadline in the regulations – the 30 June deadline in regulation 8(2) applies only to certification by the responsible financial officer.

### ***Points of clarification***

11. Regulation 4(4) provides that the annual governance statement is to *accompany* the accounting statements, rather than being included with the accounting statements. The purpose of this change is to make clear that the annual governance statement is not part of the statement on which the auditor's opinion is given. But relevant bodies have discretion to decide whether it should be part of the same document as the accounting statements or be issued as a separate document.

12. The publication duties in regulation 8(3)(d) and 13(4)(a) require the statement of accounts or accounting statements to be published "together with any certificate, opinion or report issued, given or made by the auditor under section 9 (general report) of the [Audit Commission Act 1998]". The duty is therefore to publish with what is available from the auditor at the time, and therefore, for instance, the absence of a closing audit certificate because of an outstanding objection at audit would not prevent publication.

### ***Other issues raised in responses***

13. A number of responses asked for changes to the remuneration disclosure provisions in regulation 7. The suggestions made will be considered for future amendments to the regulations, once decisions have been made on the *code of recommended practice for local authorities on data transparency* (on which the Department issued a consultation paper last month).

14. Suggestions were also received for wider ranging changes to the framework for the audit of local authorities and other local bodies. These could not be made through amendments to the regulations, but the suggestions made will be considered in preparing the framework for local public audit following the planned disbandment of the Audit Commission.

***Further questions***

15. Questions should be addressed to [graham.fletcher@communities.gsi.gov.uk](mailto:graham.fletcher@communities.gsi.gov.uk)

Yours sincerely,

**Graham Fletcher**