

OFFICE OF THE DEPUTY PRIME MINISTER

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GUIDANCE ON THE ACCOUNTS AND AUDIT REGULATIONS 2003

INTRODUCTION

1. The purpose of this guidance is to assist relevant bodies in their operation of the accounting regime under the Accounts and Audit Regulations 2003.
2. The interpretation of the Regulations or any other legislation is, of course, ultimately a matter for the courts. Where matters of statutory interpretation arise relevant bodies should obtain their own legal advice as necessary. Nevertheless, it has been suggested by many respondents to our recent consultation on the draft Regulations, that it would be helpful to authorities if we indicate the intention behind the drafting of some of the changes to the Regulations made in 2003. This guidance seeks to give such indication. It also seeks to give guidance on the issue of proper accounting practices and details of where generally recognised published codes setting out proper accounting practices may be found.

'PROPER PRACTICES'

3. The term "proper practices" in relation to a local authority is defined in section 66(4) of the Local Government and Housing Act 1989 as:

"...those accounting practices-

(a) which the authority are required to follow by virtue of any enactment;

or

(b) which, whether by reference to any generally recognised published code or otherwise, are regarded as proper accounting practices to be followed in the keeping of the accounts of local authorities, either generally or of the description concerned;

but, in the event of any conflict in any respect between the practices falling within paragraph (a) above and those falling within paragraph (b) above, only those falling within paragraph (a) above are to be regarded as proper practices."

By virtue of section 66(5) of the Local Government and Housing Act 1989 the above definition has effect not only for the 1989 Act but also for the purposes of any subsequent legislation in which the term is used.

We indicate below where generally recognised codes of practice which may be of assistance for the purposes of these Regulations may be found.

In the case of any conflict between any practices required by any statutory provision and any practices set out in any of the codes or guides set out below, the requirements of the statutory provision will take precedence.

Regulation 4 – Responsibility for financial management – proper practices

4. Non-statutory proper practices in relation to the statement on internal control for local councils may be found in the Annual Return prepared each year by the Audit Commission and the guidance recommended for use by local councils in *Governance and accountability in local councils in England and Wales. A practitioners' guide*, issued jointly by the National Association of Local Councils (NALC) and the Society of Local Council Clerks (SLCC). The Annual Return includes a statement which for local councils serves the purpose of the annual statement of internal control.

Regulation 5(1) – Accounting records and control systems

5. Non-statutory proper practices in relation to the maintenance of accounting records by principal authorities may be found in the *Code of practice on local authority accounting in the United Kingdom. A statement of recommended practice*, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In the case of local councils, they are to be found in *Governance and accountability in local councils in England and Wales. A practitioners' guide*, issued by NALC and SLCC.

Regulation 6 – proper Internal audit practices

6. Non-statutory proper practices in relation to proper internal audit practices for principal authorities may be found in the *Code of practice for internal audit in local government in the United Kingdom*, issued by CIPFA. In the case of local councils they are to be found in *Governance and accountability in local councils in England and Wales. A practitioners' guide*, issued by NALC and SLCC.

Regulation 7(1) – Statement of accounts – proper practices

7. Non-statutory proper practices in relation to the preparation of statements of accounts by principal authorities, and parish councils which exceed the income and expenditure threshold set out in Regulation 7(4), may be found in the *Code of practice on local authority accounting in the United Kingdom. A statement of recommended practice*, issued by CIPFA.

Regulations 9(3)(a) and 9(3)(b) – Other accounting statements – proper practices – use of Annual Return

8. Non-statutory proper practices in relation to the preparation by local councils of accounting statements as required by Regulations 9(3)(a) and 9(3)(b), may be found in *Governance and accountability in local councils in England and Wales. A practitioners' guide*, issued by NALC/SLCC. The guide includes reference to the Annual Return prepared each year by the Audit Commission and recommends its use.

REGULATION 6 – INTERNAL AUDIT

9. We recognise the particular burdens faced by the smaller local councils as a result of the need for all relevant bodies to undertake internal audit. Guidance on good practice on obtaining internal audit is already provided for local councils in the guide referred to in paragraph 6 above, issued by NALC/SLCC. It is intended that this guide will be updated and expanded to ensure that the information available takes into account the most recent developments in best practice, including the appropriate element of independence in the internal audit, and to ensure that practice is proportionate to the size and circumstances of relevant bodies.

REGULATION 7 – STATEMENT OF ACCOUNTS – OUTTURN INFORMATION IN BEST VALUE PERFORMANCE PLANS

10. In the interests of transparency, we recommend as good practice that best value authorities should include with the statement of accounts an explanation of any significant difference there may be between the statement and any brief summary of financial information that they include in their best value performance plan.

REGULATION 7(2) - INFORMATION ON MEMBERS' ALLOWANCES

11. Authorities are required under separate Regulations to provide information on the allowances paid to members. We recommend as good practice that authorities indicate in a note to the statement of accounts where information on members' allowances can be found. The aim of this is to inform electors that information is already available on members which may be of interest to them, and which would complement the information to accompany the statement of accounts provided under Regulation 7(2) on the numbers of staff in particular salary bands.

REGULATIONS 10(3) AND 10(4) – SIGNING AND APPROVAL OF STATEMENT OF ACCOUNTS – ROLE OF THE CHAIR AS SIGNATORY

12. The intention behind the new requirement for the chair of the committee or meeting to sign and date the statement of accounts, or other accounting statement, as appropriate, is that the chair's signature should formally represent the completion of the council's approval process of the accounts. The requirement for the chair to sign does not relate to the role of the responsible financial officer in certifying that the statement of accounts or other accounting statement is a proper reflection of the body's financial position under the terms of Regulation 10(2), or to any determination made by the responsible financial officer under any other Regulation.

REGULATION 11 AND 12 – 'PUBLICATION'

13. Regulations 11 and 12 provide that, when a relevant body arranges for the publication of its statement of accounts, or its income and expenditure account, as the case may be, the term 'publication' should not mean merely the appearance of the accounts in the documents of meetings, committees or sub-committees of the body. In addition to this, we recommend as good practice that the requirement to 'publish' the statement or the income and expenditure account should not mean merely providing copies to enquirers on demand. Good practice might include: putting a copy on a noticeboard, copying

onto a website, publishing as a separate leaflet, or publication in a newspaper or as part of a newsletter.

14. Authorities will themselves wish to consider the appropriateness of the publication arrangements they have in place, bearing in mind the need to make information as widely available as practicable, but also taking into account local circumstances, including the size of the authority, the resources available, the number of electors, and the existence of any local information networks.

REGULATION 14 – PUBLIC INSPECTION OF ACCOUNTS

15. We appreciate that the need to make the accounts and other documents accessible may impose burdens on some authorities. In seeking to minimise the burden particularly for local councils, the Accounts and Audit Regulations 2003 made only a limited increase in the period of access of the accounts to 20 working days (from 15 working days) per year.

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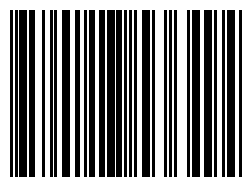
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