



Statutory Document No. 3/07

## AUDIT ACT 2006

### ACCOUNTS AND AUDIT REGULATIONS 2007

*Approved by Tynwald*

*20<sup>th</sup> February 2007*

*Coming into operation*

*1 April 2007*

In exercise of the powers conferred on the Treasury by section 12 of the Audit Act 2006<sup>1</sup>, and of all other enabling powers, and after consulting the Department of Local Government and the Environment and such of the bodies specified in section 19(3) of that Act as appear to the Treasury to be appropriate, the following Regulations are hereby made:—

#### *Introductory*

#### **1. Citation and commencement**

These Regulations may be cited as the Accounts and Audit Regulations 2007 and, subject to section 19(1) of the Act, shall come into operation on 1 April 2007.

#### **2. Interpretation and application**

(1) In these Regulations —

"the Act" means the Audit Act 2006;

"the auditor", in relation to a specified body, means the auditor appointed under section 3 of the Act to audit the accounts of that body;

"burial authority" means the churchwardens of a parish exercising their functions under the Burials Act 1986<sup>2</sup>;

"the Department" means the Department of Local Government and the Environment;

"proper practices", in relation to any matter, means practices consistent with any directions given by the Treasury under section 13 of the Act and (subject to those directions) such of the following as are applicable to that matter —

(a) any Financial Reporting Standards issued or adopted from time to time by the Accounting Standards Board in the United Kingdom;

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<sup>1</sup> 2006 c.15

<sup>2</sup> 1986 c.26

Price £1.80

- (b) any statement of recommended practice issued or adopted from time to time by the Chartered Institute of Public Finance and Accountancy and not superseded by a standard referred to in paragraph (a);
- (c) any Statement of Standard Accounting Practice issued or adopted by the Accounting Standards Board or the former Accounting Standards Committee and not superseded by a standard or statement referred to in paragraph (a) or (b);

"responsible financial officer", in relation to a body, means the officer of the body for the time being appointed or nominated under regulation 5(1) or (2);

"specified body" means a body whose accounts are required to be audited in accordance with the Act;

"year" means —

- (a) in the case of a body whose accounts are required to be made up yearly to a date other than 31 March, a year ending on that date;
- (b) in any other case, a year ending on 31 March;

"the vestry date", in relation to the accounts of a burial authority, means the date of the vestry before which the accounts are to be laid as required by section 17(3)(a) of the Burials Act 1986.

(2) These Regulations apply with any necessary modifications to the accounts referred to in section 15(2) of the Act (accounts of officers).

(3) These Regulations do not apply to the accounts of any body in respect of a period commencing before the day appointed under section 23(2) of the Act in relation to that body.

### **3. Consent to departures**

(1) The Treasury may, subject to such conditions as it thinks fit to impose, authorise any body or person to depart (whether by act or omission) from any of the provisions of these regulations.

(2) Provided that any conditions so imposed are complied with, a departure so authorised shall not constitute a contravention of these Regulations.

(3) In the case of a local authority, joint board or burial authority, paragraph (1) has effect with the substitution of the Department for the Treasury.

### **4. Revocation**

The Accounts and Audit Regulations 1984<sup>3</sup> are revoked.

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<sup>3</sup> GC 266/84

*Financial management*

**5. Responsible financial officer**

(1) Every Department and Board, and the head of every office of the Government, shall nominate an officer of that Department, Board or office to exercise the functions of the responsible financial officer under these Regulations.

(2) Every specified body, other than one falling within paragraph (1), shall appoint or nominate an officer of the body to exercise the functions of the responsible financial officer under these Regulations. In this paragraph (2), "officer" includes member but only if the specified body has no officer that it can appoint or nominate to exercise the functions of the responsible financial officer under these Regulations.

(3) The responsible financial officer shall determine on behalf of the body the accounting records and accounting control systems to be maintained by the body.

(4) Paragraph (3) is subject to the requirements of regulation 6, and to any instructions (not being inconsistent with those requirements) given by the body.

(5) The responsible financial officer shall ensure —

- (a) that the accounting control systems are observed; and
- (b) that the accounting records are maintained in accordance with proper practices and kept up to date;
- (c) that the accounts of the body are prepared in accordance with these Regulations and any other statutory requirements applicable to them;
- (d) that the accounts and any relevant accounting records presented for audit are sufficient for audit purposes.

(6) In this regulation, "Board" has the same meaning as in the Civil Service Act 1990<sup>4</sup>.

**6. Accounting records and systems**

(1) This regulation applies to the accounting records and accounting control systems of every specified body.

(2) The records shall be sufficient —

- (a) to show the body's transactions; and
- (b) to secure that the accounts of the body, and in particular the statement or account and statement required by regulation 8 or 9, as the case may be, can be so prepared as to comply with these Regulations.

(3) The records shall in particular contain —

- (a) a record of all income and expenditure of the body, identifying the matters to which the income and expenditure relate;

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<sup>4</sup> 1990 c.8

- (b) entries from day to day of all sums of money received and paid by the body, identifying matters to which the receipts and payments relate; and
- (c) a record of the assets and liabilities of the body.
- (4) The accounting control systems shall include —
  - (a) measures to ensure that the financial transactions of the body are recorded as soon and as accurately as reasonably practicable;
  - (b) measures to enable the prevention and detection of inaccuracies and fraud, and the reconstitution of any lost records;
  - (c) a specification of the duties of officers dealing with financial transactions and the division of responsibilities of those officers;
  - (d) procedures to ensure that uncollectable amounts, including bad debts, are not written off except with the approval of the body or the responsible financial officer, or such member of his or her staff as is nominated by the responsible finance officer for this purpose, and that the approval is shown in the accounting records; and
  - (e) measures to ensure that risk is appropriately managed.

**7. Internal audit**

- (1) This regulation applies to every specified body except —
  - (a) a burial authority; or
  - (b) a local authority or joint board whose gross income or gross expenditure (whichever is the higher) in each of the preceding 2 years was less than £200,000.
- (2) A body to which this regulation applies shall maintain in accordance with proper practices an adequate and effective system of internal audit of its accounting records and of its system of internal control.
- (3) Any officer or member of a body to which this regulation applies shall, if the body so requires —
  - (a) make available such documents relating 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.

*Accounts*

**8. Statement of accounts**

- (1) This regulation specifies the form of accounts of —
  - (a) a Department;

- (b) a Statutory Board;
  - (c) a local authority, joint board or burial authority whose gross income or gross expenditure in the year to which the accounts relate and each of the preceding 2 years was £40,000 or more.
- (2) A body to which this regulation applies shall prepare in accordance with proper practices a statement of accounts for each year in accordance with this regulation.
- (3) The statement of accounts shall include the following —
- (a) an explanatory foreword;
  - (b) a statement of significant 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 body —
    - (i) summarised statements of the income and expenditure of each fund or undertaking in relation to which the body is required by or under any statutory provision to keep a separate account;
    - (ii) a summarised statement of capital expenditure, differentiated in respect of different functions and showing the sources of finance of the year's total capital expenditure;
    - (iii) except in the case of a body specified in paragraph (4), and subject to any direction of the Treasury to the contrary, a consolidated balance sheet;
    - (iv) except in the case of a body specified in paragraph (4), a balance sheet relating to a fund the balances in respect of which are not shown in the consolidated balance sheet;
    - (v) a statement of total movements in reserves; and
    - (vi) a statement relating to a fund, activity or function in relation to which the body is required by any statutory provision to keep a separate account;
  - (e) a Statement of Internal Control for the body, in a format as directed by the Treasury;
  - (f) any notes required to explain the accounts.
- (4) The bodies mentioned in paragraph (3)(d)(iii) and (iv) are —
- (a) a Department;
  - (b) a Statutory Board other than the Manx Electricity Authority, the Isle of Man Water Authority and the Isle of Man Post Office.
- (5) A statement under paragraph (3)(d) shall show any corresponding amounts for the previous year.
- (6) The statement of accounts shall be accompanied by —
- (a) a note of the number of members, officers and employees of the body in the year to which the accounts relate whose remuneration fell in

each bracket of a scale in multiples of £25,000 starting with £50,000;  
and

(b) a note of any departure from these Regulations authorised under regulation 3.

(7) In paragraph (6)(a) "remuneration" means all amounts paid to or receivable by a member, officer or employee in his or her capacity as such, and includes —

(a) sums due by way of expenses allowance (so far as those sums are chargeable to income tax); and

(b) the estimated money value of any other benefits received by the member, officer or employee otherwise than in cash.

(8) Where the statement of accounts contains any matter other than the items mentioned in paragraph (3), that matter shall be placed in a section of the statement separate from those items and any notes on them (and if there is more than one such matter, they shall be grouped together in that section).

#### **9. Accounting statements: other bodies**

(1) This regulation specifies the form of accounts of a local authority, joint board or burial authority, other than one to which regulation 8 applies.

(2) A body to which this regulation applies shall, in respect of each year, prepare in accordance with proper practices —

(a) an income and expenditure account; and

(b) a statement of balances.

(3) The accounts shall be accompanied by a note of any departure from these Regulations authorised under regulation 3.

#### **10. Preparation and signing of accounts**

(1) A specified body shall secure that its accounts for any year are prepared in accordance with regulation 8 or 9, as the case may be, as soon as practicable after the end of that year, and in any case not later than the following 31 July, unless the Treasury otherwise directs.

(2) The accounts shall not be submitted to the auditor unless they have been formally approved by the body.

(3) Before the approval referred to in paragraph (2) is given, the responsible financial officer shall —

(a) sign and date the accounts; and

(b) certify in writing that they give a true and fair view of the income and expenditure of the body for the year in question and the financial position of the body at the end of that year.

(4) In the case of a burial authority, paragraph (1) has effect with the substitution for "31 July" of "the date 2 months before the vestry date"; and the burial

authority shall, when submitting the accounts to the auditor, notify him or her of the vestry date.

### *Audit*

#### **11. Conduct of audit**

(1) In carrying out an audit under the Act the auditor shall comply with the International Standards on Auditing (UK and Ireland) issued from time to time by the Auditing Practices Board in the United Kingdom.

(2) Subject to any directions under section 7(1) of the Act, the auditor shall so plan the audit as to identify transactions which in his or her judgement are material, for the purpose of considering whether any matter referred to in section 4(2) of the Act is or will be contrary to law.

#### **12. Contents of report**

The auditor's report under section 6 of the Act shall state —

- (a) that the auditor has audited the accounts of the relevant body for the specified year; and
  - (b) whether the auditor has by examination of the said accounts and otherwise satisfied himself or herself that they —
    - (i) give a true and fair view of the financial affairs of the body for that year;
    - (ii) comply with those provisions of these Regulations, and with any directions under section 13 of the Act, which are applicable to them; and
    - (iii) comply with the requirements of any other statutory provision applicable to them;
- and if so, subject to what qualifications (if any).

#### **13. Delivery of report**

(1) The date by which the auditor shall comply with section 6(4)(b) of the Act (deadline for delivery of report) is 31 October next following the end of the year to which the accounts relate, unless the Treasury otherwise directs.

(2) In the case of the accounts of a burial authority, paragraph (1) has effect with the substitution, for "31 October", of "the vestry date".

#### **14. Special reports**

(1) In determining the public interest in relation to any question under section 8 of the Act the auditor shall take into account the following considerations —

- (a) the public's right to expect that —
  - (i) the accounts of public bodies are accurate and produced on time;
  - (ii) the financial affairs of public bodies are properly conducted;
  - (iii) any risks to which public bodies are subject are properly managed;
  - (iv) public officials and members of public bodies maintain high standards of probity and competence; and
  - (v) public bodies act within the law; and
- (b) whether in his or her judgement the matter is one of significance to a substantial part of the population of the Island.

(2) Where an auditor prepares an immediate report under section 8(2)(a) of the Act, the relevant body shall, not more than 14 days after the date on which it is received by the body, cause a notice to be published in one or more newspapers published and circulating in the Island —

- (a) stating that the report has been prepared;
- (b) summarising its conclusions; and
- (c) naming a place in the Island where a copy of it may be inspected by any person free of charge at all reasonable hours during a period specified in the notice, being a period of not less than 28 days from the date of the publication of the notice.

#### **15. Warning notices**

(1) This regulation applies where an auditor gives a warning notice to a specified body under section 9 of the Act.

(2) In order to bring the warning notice and notice in reply to the attention of the public, the body shall cause a notice to be published in one or more newspapers published and circulating in the Island —

- (a) stating that the warning notice and a notice in reply have been given; and
- (b) naming a place in the Island where copies of them may be inspected by any person free of charge at all reasonable hours during a period specified in the notice, being a period of not less than 28 days from the date of the publication of the notice.

(3) The steps mentioned in section 9(5) of the Act shall be taken within 28 days after the date on which the warning notice is received by the body.

#### **16. Publication of auditor's report**

(1) In order to bring an auditor's report under section 6 or 8 of the Act to the attention of the public, a specified body shall, within 21 days after the date on

which the report is received by the body, cause a notice to be published in one or more newspapers published and circulating in the Island —

- (a) stating that the report has been received; and
- (b) naming a place in the Island where a copy of the report, together with copies of the accounts to which it relates, may be inspected by any person free of charge at all reasonable hours during a period specified in the notice, being a period of not less than 28 days from the date of the publication of the notice.

(2) Where the Treasury or the Department publishes on behalf of 2 or more specified bodies a notice containing the particulars specified in paragraph (1), those bodies shall be taken to have complied with that paragraph.

#### 17. Notice of extraordinary audit

Where an auditor is directed to hold an extraordinary audit under section 11 of the Act, the appropriate authority shall cause a notice to be published in one or more newspapers published and circulating in the Island —

- (a) stating that an extraordinary audit is to be held and specifying the accounts to which it relates;
- (b) giving the name and business address of the auditor; and
- (c) stating that any representations with regard to the accounts may be made to the auditor before the expiration of a period specified in the notice, being a period of not less than 28 days from the date of the publication of the notice.

#### 18. Offences

A contravention of any of the following provisions is an offence for the purpose of section 12(7) of the Act —

- (a) regulation 8;
- (b) regulation 9;
- (c) regulation 10;
- (d) regulation 16.

MADE

17<sup>th</sup> January

2007



Minister for the Treasury

EXPLANATORY NOTE

*(This note is not part of the Regulations.)*

These Regulations, made under section 12 of the Audit Act 2006, make further provision with respect to accounts required to be audited in accordance with that Act, and the audit of those accounts.