

17 March 2009

Chief Executives  
Directors of Finance

Local Authorities in England

Dear colleague

**CHANGES TO THE ACCOUNTS AND AUDIT REGULATIONS**  
***THE ACCOUNTS AND AUDIT (AMENDMENT) (ENGLAND)***  
***REGULATIONS 2009 No. 473***

1. On 5 December 2008 the Department consulted you on draft amendments to the Accounts and Audit Regulations. We are most grateful for the comments we received. The consultation documents and a summary of the responses are at

<http://www.local.communities.gov.uk/audit.htm>

2. The regulations have now been made. They will come into force in two stages:

- On 1 April 2009 changes to the certification of the Statement of Accounts to “true and fair”.
- On 31 March 2009 measures for Internal Drainage Boards in accounting for pensions (similar to those already applying to local authorities) and all other minor changes consequential on amendments to audit and local government legislation made by the Local Government and Public Involvement in Health Act 2007 (“the 2007 Act”).

3. The text, in the main, follows that of the consultation draft, except for changes relating to the implementation of the “true and fair” certification of the Statement of Accounts which is effective from the 2009-10 reporting year. Other minor drafting changes have been made to improve clarity. The regulations are available online at

[http://www.opsi.gov.uk/si/si2009/pdf/uksi\\_20090473\\_en.pdf](http://www.opsi.gov.uk/si/si2009/pdf/uksi_20090473_en.pdf)  
[http://www.opsi.gov.uk/si/si2009/em/uksiem\\_20090473\\_en.pdf](http://www.opsi.gov.uk/si/si2009/em/uksiem_20090473_en.pdf)

4. In the consultation the requirement for true and fair certification of the statement of accounts by the Responsible Financial Officer (RFO), was proposed to be effective from 31 March 2009 (i.e. to cover the full reporting year 1 April 2008 to 31 March 2009). Most of the consultation responses were in favour of such a change. The Audit Commission, whilst maintaining their support in principle, proposed this change be made effective from the 2010-11 reporting year when local authorities will have moved to full implementation of International Financial Reporting Standards (IFRS).

5. The Audit Commission raised two specific concerns: Firstly, that it was too late to make the change for 2008-09. Secondly, that some of the changes proposed for the 2009-10 accounting code of practice (for example on the treatment of PFI contracts), while not necessarily precluding an unqualified “true and fair” opinion, would affect the coherence of the accounting principles on which the accounts were based.

6. We note the Commission’s concern, but in our view the changes to the 2009-10 accounting code will not preclude the accounts giving a true and fair view. We do acknowledge, however, that there may be a timing issue for local government and have therefore elected to defer the introduction of the move to true and fair certification by one year.

7. The **informal commentary** attached below explains the intended effects. Broadly, **amendment regulation 5** will require the financial statements prepared by local authorities, to be certified by the responsible financial officer as presenting a “true and fair” view.

8. **Amendment regulation 4** will give Internal Drainage Boards the same treatment as local authorities as these organisations move to preparing their accounts on a full FRS 17 (Retirement Benefits) basis.

9. Of the four remaining changes, three are consequential to amendments to audit legislation made by the Local Government and Public Involvement in Health (LGPIH) Act 2007 (**amendments regulation 3, 7 and 8**), and the other corrects an error in the 2006 amending regulations (**amendment regulation 6**)

10. As part of the consultation we also sought views on reporting remuneration. We received many comments and ideas in this area and for this we are grateful. The views expressed are being considered. There will follow a further consultation on remuneration disclosure, with a view to introducing new requirements in time for the financial reporting year 2009-10.

11. The responses to the consultation also included several proposals for further changes to the regulation. These have been noted and will be considered for possible inclusion in a future consultation.

12. Any comments or queries on the regulations should be addressed to:  
[manj.kalar@communities.gsi.gov.uk](mailto:manj.kalar@communities.gsi.gov.uk)

Yours sincerely

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