



ACCOUNTS AND AUDIT REGULATIONS 2013

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Statutory Document No. 0026/13

*Audit Act 2006*

ACCOUNTS AND AUDIT REGULATIONS 2013

Approved by Tynwald: 19th March 2013
Coming into Operation: 1 April 2013

Having consulted the Department of Infrastructure and such bodies specified in section 19(3) of the Audit Act 2006 as appear to the Treasury to be appropriate, the Treasury makes the following Regulations under section 12 of the Audit Act 2006.

1 Title

These Regulations are the Accounts and Audit Regulations 2013.

2 Commencement

If approved by Tynwald these Regulations come into operation on 1 April 2013.

3 Interpretation and application

(1) In these Regulations —

"**accounting 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 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 that body's accounts;

"**burial authority**" means the churchwardens of a parish exercising their functions under the Burials Act 1986 ;

"**the Department**" means the Department of Infrastructure;

"**proper practices**", in relation to any matter, means practices consistent with any directions given by the Treasury under section 13 of the Act and Accounts and Audit (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 Financial Reporting Council in the United Kingdom;
- (b) the Statement of Recommended Practice, 2007, Accounting for entities subject to the Audit Act 2006, issued by the Treasury and not superseded by a standard referred to in paragraph (a);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Accounting Standards Board, the former Accounting Standards Board or the former Accounting Standards Committee and not superseded by a standard or statement referred to in paragraph (a) or (b);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, is to be construed in accordance with regulation 4;

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

"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.

Financial management

4 Responsible financial officer

- (1) For the bodies listed in 7(1) the Chief Financial Officer of the Treasury is the nominated officer to exercise the functions of the responsible financial officer.
- (2) A body to which these Regulations apply, other than one listed in regulation 7(1) must appoint an officer of the body as its responsible financial officer.
- (3) But if a specified body to which paragraph (2) applies has no officer whom it can appoint or as its responsible financial officer it may appoint a member to that office.
- (4) The responsible financial officer must determine on behalf of the body the accounting records and accounting control systems to be maintained by the body.
- (5) Paragraph (4) is subject to the requirements of regulation 5, and to any instructions (not being inconsistent with those requirements) given by the body.

- (6) The responsible financial officer must 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.

5 Accounting records and systems

- (1) This regulation applies to the accounting records and accounting control systems of every specified body.
- (2) The records must 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 7 or 8, as the case may be, can be so prepared as to comply with these Regulations.
- (3) The records must in particular contain —
 - (a) a record of all income and expenditure of the body, identifying the matters to which the income and expenditure relate;
 - (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 must 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.

6 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 must 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 must, 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

7 Consolidated accounts of central Government

- (1) This regulation applies to the accounts of the following bodies —
 - (a) every Department;
 - (b) every Statutory Boards Board except for —
 - (i) the Isle of Man Post Office;
 - (ii) the Isle of Man Water and Sewerage Authority;
 - (iii) the Manx Electricity Authority;
 - (c) every company, more than half of the equity share capital of which is beneficially owned by one or more Departments or by a Statutory Board referred to in sub-paragraph (b) or is otherwise held by or in trust for the Government, and which is not liable to comply with section 109(3) (filing of accounts) of the Companies Act 1931;
 - (d) every company which is a subsidiary of a body referred to in sub-paragraph (c);
 - (e) every office or department of the Government or the Legislature;
 - (f) the Road Transport Licensing Committee;
 - (g) the Manx Museum and National Trust.
- (2) The Treasury must prepare in accordance with proper practices a single consolidated statement of accounts for each year for all the bodies to which this regulation applies.

- (3) The statement of accounts must include the following —
 - (a) an explanatory foreword;
 - (b) a statement of accounting policies;
 - (c) a statement of responsibilities for the statement of accounts;
 - (d) a summarised statement of the income and expenditure of each fund or undertaking in relation to which any body to which this regulation applies is required by or under any statutory provision to keep a separate account;
 - (e) a summarised statement of capital expenditure, differentiated in respect of different functions of every such body and showing the sources of finance of the year's total capital expenditure;
 - (f) a consolidated balance sheet;
 - (g) a balance sheet relating to a fund the balances in respect of which are not shown in the consolidated balance sheet;
 - (h) a statement of total movements in reserves; and
 - (i) a statement relating to a fund, activity or function in relation to which any body to which this regulation applies is required by any statutory provision to keep a separate account;
 - (j) a statement of the accounting control systems and system of internal audit maintained by the Treasury;
 - (k) any notes required to explain the accounts.
- (4) The Treasury may elect that transactions and balances between bodies to which this regulation applies shall not be eliminated when consolidating the transactions and balances in the statement of account prepared under paragraph (2).
- (5) If the Treasury makes an election under paragraph (4) with respect to a statement of account, the statement of account must include a note to that effect.
- (6) Any body to which this regulation applies and any officer or member of such a body must, if the Treasury so requires —
 - (a) make available such documents relating to the body's accounting and other records as appear to the Treasury to be necessary for the purpose of preparing a statement of account under paragraph (2); and
 - (b) supply the Treasury with such information and explanation as the Treasury considers necessary for that purpose.
- (7) Any requirement of these Regulations to prepare individual accounts for any period must not apply to a body to which this regulation applies.

8 Group accounts

- (1) This regulation applies to —
 - (a) all the bodies to which regulation 7 applies;
 - (b) every Statutory Board —
 - (c) every company, more than half of the equity share capital of which is beneficially owned by a Statutory Board referred to in sub-paragraph (b), and which is not liable to comply with section 109(3) (filing of accounts) of the Companies Act 1931;
 - (d) every company which is a subsidiary of a body referred to in sub-paragraph (c).
- (2) Without limiting regulation 7, the Treasury must prepare a single consolidated statement of accounts for each year for all the bodies to which this regulation applies as if —
 - (a) the bodies referred to in paragraph (1)(a) were a parent undertaking, and
 - (b) the bodies referred to in paragraph (1)(b), (c) and (d) were subsidiary undertakings.
- (3) The Treasury may elect that transactions and balances between bodies to which this regulation applies shall not be eliminated when consolidating the transactions and balances in the accounts prepared under paragraph (2).
- (4) If the Treasury makes an election under paragraph (3) with respect to any accounts, the accounts must include a note to that effect.
- (5) Any body to which this regulation applies and any officer or member of such a body must, if the Treasury so requires —
 - (a) make available such documents relating to the body's accounting and other records as appear to the Treasury to be necessary for the purpose of preparing accounts under paragraph (2); and
 - (b) supply the Treasury with such information and explanation as the Treasury considers necessary for that purpose.

9 Statement of accounts

- (1) This regulation specifies the form of accounts of —
 - (a) the following Statutory Boards —
 - (i) the Manx Electricity Authority;
 - (ii) the Isle of Man Water Authority;
 - (iii) the Isle of Man Post Office; and
 - (b) 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 must prepare in accordance with proper practices a statement of accounts for each accounting year in accordance with this regulation.
- (3) The statement of accounts must 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) subject to any direction of the Treasury to the contrary, a consolidated balance sheet;
 - (iv) 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 specified in a direction by the Treasury;
 - (f) any notes required to explain the accounts.
- (4) A statement under paragraph (3)(d) must show any corresponding amounts for the previous year.
- (5) The statement of accounts must be accompanied by 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.
- (6) In paragraph (5) "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.

- (7) If the statement of accounts contains any matter other than the items mentioned in paragraph (3), that matter must 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 must be grouped together in that section).

10 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 9 applies.
- (2) A body to which this regulation applies must, in respect of each accounting year, prepare in accordance with proper practices —
 - (a) an income and expenditure account; and
 - (b) a statement of balances.

11 Preparation and signing of accounts

- (1) A specified body must secure that its accounts for any year are prepared in accordance with regulation 9 or 10, 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 must not be submitted to the auditor unless they have been formally approved by the Responsible Financial Officer.
- (3) Before the approval referred to in paragraph (2) is given, the responsible financial officer must —
 - (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 must, when submitting the accounts to the auditor, notify him or her of the vestry date.

Audit

12 Conduct of audit

- (1) In carrying out an audit under the Act the auditor must 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 must 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.

13 Contents of report

- (1) The auditor's report under section 6 of the Act must 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).

14 Delivery of report

- (1) The date by which the auditor must 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 as if for "31 October" there were substituted "the vestry date".

15 Special reports

- (1) In determining the public interest in relation to any question under section 8 of the Act the auditor must 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) If an auditor prepares an immediate report under section 8(2)(a) of the Act, the relevant body must, 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.

16 Warning notices

- (1) This regulation applies if 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 must 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 must be taken within 28 days of the receipt of the warning notice by the body.

17 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 must, before the later of the 31 October following the year-end to which the accounts relate and 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 or otherwise made available on the body's official website –
- (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) If 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 must be taken to have complied with that paragraph.

18 Notice of extraordinary audit

- (1) If an auditor is directed to conduct an extraordinary audit under section 11 of the Act, the appropriate authority must 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.

19 Offences

- (1) A contravention of any of the following provisions is an offence for the purpose of section 12(7) of the Act —
- (a) regulation 7(5);
 - (b) regulation 8(4);
 - (c) regulation 9;"
 - (d) regulation 10;
 - (e) regulation 11;
 - (f) regulation 17.

20 Revocation

- (1) The Accounts and Audit Regulations 2007¹ and the Accounts and Audit (Amendment) Regulations 2008² are revoked.

MADE **6th February 2013**

W E TEARE
Minister for the Treasury

¹ SD 0003/07.

² SD 0014/08.

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. The Treasury will issue directions under section 12 to supplement the requirement in 7(2).