

**EXPLANATORY MEMORANDUM TO**  
**THE PUBLIC INTEREST REPORTS AND RECOMMENDATIONS**  
**(MODIFICATION OF CONSIDERATION PROCEDURE) REGULATIONS**  
**2014**

**2014 No. 1629**

1. This explanatory memorandum has been prepared by the Department for Communities and Local Government and is laid before Parliament by Command of Her Majesty.
2. **Purpose of the instrument**  
  
To modify the application of provisions contained in Paragraph 5 of Schedule 7 to the Local Audit and Accountability Act 2014 (“the 2014 Act”).
3. **Matters of special interest to the Joint Committee on Statutory Instruments**  
  
None
4. **Legislative Context**
  - 4.1 The 2014 Act puts in place new arrangements relating to the accounts of local authorities and certain other public bodies in England (and a very limited category of authorities which exercise functions partly in England and partly in Wales) – defined as ‘relevant authorities’ including the appointment, functions and regulation of local auditors once the Audit Commission for Local Authorities and the National Health Service in England (“the Audit Commission”) is abolished in 2015. For the bodies which are “relevant authorities” under the 2014 Act see section 2 of, and Schedule 2 to, that Act.
  - 4.2 Part 5 of the 2014 Act is concerned with the conduct of local audit. Section 24 of the 2014 Act gives effect to Schedule 7 on reports and recommendations. Paragraph 5 of Schedule 7 to the 2014 Act sets out the procedure for the consideration by relevant authorities of public interest reports or recommendations. Relevant authorities must consider the report or recommendation at a meeting within one month of receiving it under sub-paragraph 5(5).
  - 4.3 These Regulations modify the application of this sub-paragraph so that certain relevant authorities may consider a report or recommendation as soon as is practicable, rather than within one month of receipt. This is to accommodate certain smaller relevant authorities that are not required to hold public meetings.

4.4 The relevant authorities affected are those identified at paragraphs 15, 26 and 29 of Schedule 2 to the Local Audit and Accountability Act 2014.

## **5. Territorial Extent and Application**

This instrument applies to England and Wales.

## **6. European Convention on Human Rights**

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

## **7. Policy background**

7.1 . Schedule 7 of the Local Audit and Accountability Act 2014 places a duty on local auditors to consider whether they need to issue a report in the public interest and a power to make a written recommendation. It also makes provisions for the processes by which auditors issue these and relevant authorities consider and publicise them. Paragraph 5 specifies how relevant authorities should consider public interest reports and auditors' written recommendations.

7.2. This does not apply to health service bodies, because these requirements are specified in other legislation or through requirements placed upon the health service body by their regulator. Nor does it apply to the Greater London Authority (paragraph 6 specifies arrangements), nor connected entities which are also relevant authorities (except reports and recommendations on the Commissioner of Police of the Metropolis).

7.3 The default is that the relevant authority must consider public interest reports and auditors' recommendations at a meeting within one month of the report or recommendation being sent to the body and decide at that meeting what action needs to be taken. (Police and Crime Commissioners and the Mayor's Office for Policing and Crime must decide within one month what action to take). However the regulation making powers in sub paragraphs 5(10) and 5 (11) allow for the Secretary of State to modify these requirements for relevant authorities.

7.4 The Government proposes to use the powers in para 5(10) for Port Health Authorities, Internal Drainage Boards and the persons or bodies referred to in paragraph 29 of Schedule 2 to consider a report or recommendation to "as soon as is practicable". We consider that this is appropriate because these bodies are not currently required to hold public meetings.

7.5 This instrument does not amend any other instruments, hence there is no consolidation.

## **8. Consultation outcome**

8.1 Public consultation was undertaken on a draft of these and other regulations relating to the Local Audit and Accountability Act, then a Bill before Parliament, for a period of four weeks from 25 November 2014 until 20 December 2014. The consultation document can be found here:

<http://localaudit.readandcomment.com/>

8.2 The consultation asked for comments on proposals relating to the arrangements for relevant authorities to consider public interest reports or written recommendations to bodies currently excluded from these requirements. The proposal set out the Government's intention to modify the requirement for Port Health Authorities, Internal Drainage Boards, and other persons or bodies referred to in paragraph 29 of Schedule 2 so that they must consider a Report or recommendation "as soon as is practicable", rather than within one month of receipt. We consider that this is appropriate because these bodies are not currently required to hold public meetings. Of the 34 responses to this question 31 respondents, over 90%, positively agreed that the current measures were appropriate, while the remainder raised no specific difficulties.

## **9. Guidance**

None required

## **10. Impact**

10.1 The impact on business, charities or voluntary bodies is nil.

10.2 The impact on the public sector is nil.

10.3 An Impact Assessment was published alongside the introduction of the Local Audit and Accountability Bill to Parliament which provides an assessment of the overall cost and impact of the new regime. This can be accessed at the following address:-

<http://www.parliament.uk/documents/impact-assessments/IA13-11A.pdf>.

## **11. Regulating small business**

The legislation does not apply to small business.

## **12. Monitoring & review**

12.1 As part of the Government's commitment to review the implementation of new legislation within three to five years of receiving Royal Assent, Government has set out some general principles towards developing a possible approach to such a review and assessing the impacts/outcomes associated with the Government's reforms to local audit. An

overriding objective for the final approach would be to ensure that any proposed measurement is both proportionate and cost effective.

12.2 The aims and success criteria of the local audit reforms are to:

- Deliver greater localism, decentralisation and transparency;
- Maintain competitive audit fees; and
- Uphold high standards of auditing.

The post implementation review will provide Government, Parliament and the public with the evidence to demonstrate that the local audit framework is achieving its anticipated outcomes and that the assumptions about costs and benefits identified are supported by the evidence.

### **13. Contact**

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Tel: 030344 42562 or email: [luke.scofield@communities.gsi.gov.uk](mailto:luke.scofield@communities.gsi.gov.uk) can answer any queries regarding the instrument.