

SUBSIDIARY LEGISLATION 363.02**LOCAL COUNCILS (AUDIT) REGULATIONS**

26th November, 1993

*LEGAL NOTICE 156 of 1993, as amended by Legal Notice 135 of 2007.***PART I****General Provisions**

1. The title of these regulations is the Local Councils (Audit) Regulations. Citation.

2. In these regulations, unless the context otherwise requires - Interpretation.
Amended by:
L.N. 135 of 2007.
Cap. 363.

"Act" means the Local Councils Act;

"audit procedures" means the Local Councils audit procedures issued by the Minister;

"auditors" means the local government auditors appointed under article 65 of the Act;

"Council", "Councillor", "Auditor General", "financial year", "locality", "Mayor", "Minister" and "Secretary" shall have the same meaning as is assigned to them by article 2 of the Act;

"Council's administrative office" shall have the same meaning as is described in article 48 of the Act;

"the Director" means the Director for Local Government;

"financial procedures" means the Local Councils financial procedures issued by the Minister to be followed by Councils in the execution of their financial duties and responsibilities under the Act and in accordance with the Local Councils (Financial) Regulations. S.L.363.01

PART II**Financial Audit**

3. (1) The accounts and financial operations of each Council shall be audited by auditors at the end of each financial year. Annual audit.

(2) After concluding each annual audit, the auditors shall prepare an annual audit report on the financial statements of the Council, giving an opinion on whether or not -

(a) the Council's accounts fairly present, in accordance with the accounting policies applicable to Councils, the income and expenditure and the retained funds of the Council; and

(b) the Council's financial statements were prepared in accordance with the Act, these regulations and the audit procedures.

(3) The annual audit report shall be submitted to the Auditor General not later than twelve weeks after the end of the financial

year for the first year and thereafter not later than the 30th June of each year.

(4) A copy of the annual audit report shall be open for public viewing at the Council's administrative office during the Council's normal office working hours.

Mid-term audits.
Added by:
L.N. 135 of 2007.

4. (1) Auditors shall conduct mid-term audits whenever there is a change in the Executive Secretary. The Mayor shall inform the Auditor General and the Director whenever the Executive Secretary hands in his notice of termination of employment or when the Local Council does not intend to renew his contract.

(2) The Auditor General shall appoint an individual or partnership to carry out the mid-term audit. The fee for this audit, which will be paid by the Local Council involved, will be agreed beforehand between the Auditor General and the Local Government Auditor appointed to audit that particular Council. The fee shall not exceed the fee payable for the Financial Year and Audit.

(3) After concluding each mid-term audit, the auditors shall present to the Auditor General the financial statements covering the period from 1st April to the last day of the employment of the outgoing Executive Secretary, and an Audit Report thereon. The auditors are also to draw up a Management Letter on the financial position of the Council pointing out any errors, omission and, or shortcomings and weaknesses encountered. The auditors are to supervise any adjustments and corrections that might be necessary.

(4) The time limit by which the documents listed in subregulation (3) are to be submitted to the Auditor General shall be agreed upon between the Auditor General and the auditors carrying out such audit.

Interim audit.
Amended by:
L.N. 135 of 2007.

5. (1) Auditors shall conduct interim audits during the financial year at the request of the Auditor General and on topics designated by him.

(2) After concluding each interim audit the auditors shall prepare an interim audit report on the subject matter of the audit.

(3) The interim audit report shall be submitted to the Auditor General not later than eight weeks after the conclusion of the interim audit or by any other date requested by the Auditor General, whichever is the earlier.

(4) A copy of the interim audit report shall be open for public viewing at the Council's administrative office during the Council's normal office working hours.

Cooperation with auditors.
Amended by:
L.N. 135 of 2007.

6. (1) Councillors, the Secretary and other employees shall cooperate with the auditors and their assistants and provide them with oral or written explanations, as the auditors may require, as well as access to all Council property, documents and assets.

(2) Councillors, the Secretary and other employees shall also afford all facilities to auditors to have access to all Council information, records and reports deemed necessary in the execution

of their duties and responsibilities.

7. (1) If the auditors -

- (a) observe any serious weakness in the Council's accounting and financial operations which, in their opinion, could lead to a breakdown in such operations; or
- (b) form a suspicion of fraud, embezzlement, or abuse of office by any Councillor or employee; or
- (c) observe any item which may affect their opinion on the fairness of the Council's accounts and financial statements,

Special reports.
Amended by:
L.N. 135 of 2007.

they shall register their findings in a special report submitted to the Minister and the Auditor General.

(2) The Auditor General shall review the special report and shall make recommendations to the Minister and the Minister responsible for finance on any action that is deemed appropriate in the circumstances.

(3) The Auditor General may request the auditors to submit a special report on any other matter which he deems may require further review.

8. (1) After concluding each audit, the auditors shall submit to the Auditor General the financial statements prepared by the Executive Secretary of the Council, the Audit Report thereon and the Management Letter by not later than the 30th June of each year, or if this happens not to be a working day, the first following working day:

Management letter.
Substituted by:
L.N. 135 of 2007.

Provided that, if there are any adjustments to be carried out, the auditors are to bring these to the attention of the Local Council and return the financial statements so that the necessary adjustments are carried out and approved by the Local Council and revised financial statements drawn up. The final approved financial statements duly signed by the Executive Secretary and the Mayor, are to be returned to the auditors who will append the Audit Report and Management Letter and submit them to the Auditor General by not later than the 30th June of each year, or if this happens not to be a working day, the first following working day.

(2) The Auditor General will then forward the financial statements, the Audit Report and Management Letter to the Local Council. The Mayor and the Executive Secretary in return are to submit the Council's response to the Director, the Auditor General and the auditors by not later than August 14 of each year and if this happens not to be a working day, the first following working day, or six weeks after receipt of the Management Letter from the Auditor General, after seeking the Local Council's approval.

(3) The Council and the Executive Secretary shall:

- (a) implement the auditors' recommendations relating to non-compliance with the Act, these regulations and other regulations or procedures issued under the Act

and

- (b) give due consideration to the implementation of the recommendations made by the auditors to correct any weaknesses in the Council's accounting and financial operations.

PART III

Value for Money - Securing Cost, Economy, Efficiency and Effectiveness

Comparison of indicators to measure performance.
Amended by:
L.N. 135 of 2007.

9. (1) At the end of each financial year the auditors shall analyse and compare the Council's indicators to measure cost, economy, efficiency and effectiveness for the current year against -

- (a) the Council's indicators in the previous three years;
(b) the average indicators or measures for all Local Councils in the previous year;
(c) the standard indicators, where applicable, which are specific to the Council;
(d) any other indicator or measure deemed fit by the auditors or stipulated by the financial procedures.

(2) The auditors shall report to the Council on the analysis and comparisons made according to subregulation (1). The Mayor shall submit a copy of the report to the Minister and the Auditor General together with the management letter specified in regulation 7(3).

(3) The Secretary shall include the comparison of the Council's indicators to measure performance in the annual administrative report referred to in article 52 of the Act.

Value for money audit.
Amended by:
L.N. 135 of 2007.

10. (1) At the request of the Auditor General or as stipulated in the audit procedures, auditors shall conduct a value for money audit on whether the Council has made the proper arrangements for securing economy, efficiency and effectiveness related to any or all of the following:

- (a) Council organisation structure;
(b) policies and practices;
(c) systems and procedures;
(d) human, financial and physical resources;
(e) indicators to measure performance of cost, economy, efficiency and effectiveness.

(2) Based on the findings resulting from the value for money audit, the auditors shall make recommendations to the Council with the aim of improving overall operational performance and value of the Council to the public.

(3) The Mayor shall submit a copy of the value for money audit findings and recommendations to the Minister and the Auditor General within two weeks from receipt.

Ad hoc audit.
Added by:
L.N. 135 of 2007.

11. The Minister or the Auditor General may request an *ad hoc* audit of any Local Council's operations, from any other entity

empowered to do so by any legislation in force.
