

Explanatory Memorandum to The Government of Wales Act 2006 (Approved European Body of Accountants) Order 2007

This Explanatory Memorandum has been prepared by the Finance Department and is laid before the National Assembly for Wales.

(i) **Description**

This Order makes each of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Management Accountants (CIMA) an approved European body of accountants for the purposes of paragraph 21(6) of Schedule 8 to the Government of Wales Act 2006 ("the Schedule"). This will enable the Auditor General for Wales (AGW) and those bodies to make arrangements to co-operate with, and give assistance to, each other.

(ii) **Matters of special interest to the Subordinate Legislation Committee**

An issue arose regarding the Welsh title of CIPFA. CIPFA's charter gives their title in English only and how that title reads in Welsh depends on whether the word 'Public' relates to 'Finance and Accountancy' or just 'Finance'.

In a past SI which referred to CIPFA (SI 2003/1337), 'Public' described both 'Finance and Accountancy' in English so this is what the Welsh referred to. However, on re-checking with CIPFA recently, they came to the view that the word 'Public' describes the Finance aspect only. This version appears on their Welsh website.

The title as it appears in the draft Order has been approved by the Legal Adviser to the Subordinate Legislation Committee and CIPFA.

(iii) **Legislative Background**

The powers enabling this instrument to be made are contained in paragraph 21(6) of Schedule 8 to the Government of Wales Act 2006. These powers are vested in the Welsh Ministers. The SI is to be made and is then subject to the negative resolution procedure in the Assembly by virtue of paragraph 21(7) of the Schedule.

(iv) **Purpose and intended effect of the legislation**

In order for the Auditor General for Wales (AGW) to maintain a high level of professional development in the Wales Audit Office (WAO), it is useful for his staff to be engaged in working arrangements with accountancy bodies and in contributing to audit-related work in Europe and elsewhere (for example, helping set standards and training public sector auditors in new member states and accession countries). This is often undertaken with European institutions, so exposing WAO staff to a wide range of professional practices and enabling new methods to be identified and developed.

These projects help enhance the stature, reputation and influence of Wales abroad. The AGW charges fees for such work so as to ensure that full costs are recovered.

These arrangements are now facilitated by paragraph 21 of Schedule 8 of the Government of Wales Act 2006. Paragraph 21(3) refers to the AGW and an “accountancy body” being able to co-operate with and give assistance to each other. “Accountancy body” is defined in paragraph 21(6) as being either a body which is a recognised supervisory body for the purposes of Part 2 of the Companies Act 1989 or else is an approved European body of accountants.

The Companies Act 1989 (Delegation) Order 2005 (SI 2005/2337) transferred certain of the functions of the Secretary of State under [Part 2](#) of the Companies Act 1989, including recognition of supervisory bodies, to the Professional Oversight Board for Accountancy (POBA). POBA recognises the following five bodies in the UK: the Association of Authorised Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Ireland and the Institute of Chartered Accountants of Scotland.

These accountancy bodies are involved in the audit of companies, but the list does not include the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Management Accountants (CIMA).

The proposed Order will make CIPFA and CIMA approved European bodies of accountants. This will subsequently enable the AGW and those bodies to make arrangements to co-operate with, and give assistance to, each other.

(v) **Implementation**

The Order will come into force on 1 December 2007.

(vi) **Consultation**

It has not been necessary to undertake a public consultation on the making of this Order as it is technical in nature. CIPFA and CIMA have been consulted and are content.

(vii) **Regulatory Impact Assessment**

An RIA has not been prepared as it was not deemed necessary. The Order has no impact on the statutory duties (sections 77 -79 GOWA 06) or statutory partners (sections 73-75 GOWA 06) of the Welsh Ministers.