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| Report To: | Audit Committee | Date: | 21 October 2014 |
| Report By: | Acting Corporate Director of Environment, Regeneration & Resources | Report No: | FIN/56/14/JB/LA |
| Contact Officer: | Alan Puckrin | Contact No: | 01475 712223 |
| Subject: | Local Authority Accounts (Scotland) Regulations 2014 | | |

1.0 PURPOSE

- 1.1 The purpose of the report is to advise of minor changes that the Scottish Government has recently enacted for the Annual Accounts process. The changes in the *Local Authority Accounts (Scotland) Regulations 2014* reflect the desire of the Scottish Government to place a greater responsibility upon the local authority as a corporate body.

2.0 SUMMARY

- 2.1 The Scottish Government issued a consultation document in Summer 2013 on its proposals for a replacement for the existing "1985" Regulations. These affect various aspects of Scottish local government finance, record keeping, annual accounts administration and audit arrangements. The broad proposals had been well trailed, but it has taken the Scottish Government some time to consult with the review working group and to agree the detail of the changes.
- 2.2 The changes will come into operation for 2014-2015. The previous Regulations had remained unchanged for almost 30 years and what replaces them is a helpful piece of legislation. This affects primarily the Annual Accounts process, and brings areas like arrangements for certification, public inspection and the publication of the annual accounts up-to-date with modern practice. There are several other areas included such as the Annual Governance Statement and responsibility for Internal Audit. The Scottish Government is giving further consideration about how best to achieve its aim of bringing the *explanatory foreword* of local authorities into line with the *management commentary* provided by other public bodies under the UK Government's Financial Reporting Manual (FRM). Separate guidance on the management commentary is currently being drafted and will be published at a later date.
- 2.3 The Council submitted its response in September last year to the Scottish Government questionnaire. Our comments have been fairly reflected in the final version of the Regulations and we welcome the changes.
- 2.4 The Council has anticipated much of what is in the revised Regulations. The only matters still to be attended to are the dates for the period of publication of the Annual Accounts and the certifications for the *Statement of the Responsibility for the Annual Account*. Now that the changes are known and are law, the Council will incorporate these for the financial year 2014-2015.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Members note the content of this report.

Alan Puckrin
Acting Corporate Director of Environment, Regeneration & Resources

4.0 BACKGROUND

- 4.1 The main impact for the Council of “the “2014 Regulations” is to set latest dates for the period of public advertisement of the Annual Accounts. In summary these are:-
- a) Public notices must be advertised **not later than 17 June** (or next working day); on Council’s website and in Greenock Telegraph; plus notice displayed conspicuously in the Customer Contact Centre. Public notices on website and CCS to remain until the end of the inspection period. No requirement to seek prior consent of Audit Scotland to advertise.
 - b) Unaudited Annual Accounts produced and submitted to the appointed auditor **by 30 June**; copy of unaudited accounts published on Council’s website at same time.
 - c) Public inspection period will vary based on date the inspection period commences, but the latest period possible will be **1 July to 21 July** (adjusted for non-working days).
 - d) Last date for objections is 21 days after the date the documents are first available for inspection. The latest date will be **22 July** (or next working day), the date by which any objections are to be sent to the auditor.

Comment:

A uniform Scotland-wide approach to public inspection makes sense and provides greater clarity across councils and over financial years. The “not later than” dates for advertisement and submission for audit permit some local flexibility.

- 4.2 The Annual Accounts on page 9 *Statement of Responsibilities for the Annual Accounts* will be amended next year to include signings by the Leader (in the Council’s responsibilities section) and by the s95 Officer (in the Section 95 Officer’s responsibilities section). There is a small amount of additional wording concerning the certification to be incorporated in this Statement. An example is provided in Appendix I.

Comment

These proposals are welcome and we do not anticipate any difficulties.

- 4.3 The Remuneration Report will include the information about Exit Packages, currently in Note 31.

Comment

A minor presentational change.

5.0 CATCH-UP MATTERS IN THE 2014 REGULATIONS

- 5.1 The 2014 Regulations also provide a statutory basis for a number of matters of good practice, mostly concerned with the published accounts. The Council has already adopted these in common with most Scottish local authorities. In summary these are:-
- a) The term Annual Accounts is officially adopted in the Regulations instead of Statement of Accounts. There is no change to the term Section 95 Officer.
 - b) The Regulations bring up to date the statements to be included in the Annual Accounts – Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet (and third Balance Sheet where necessary), Cash Flow Statement, Notes and Group Accounts. The Annual Governance Statement must form part of the Accounts.
 - c) The Statements to be signed at the unaudited stage are the Statement of Responsibilities and Balance Sheet. The signing and re-signing processes remain the same as at present.
 - d) A formal consideration of the unaudited annual account at a meeting of the full Council or at the Audit Committee is required before submission of the draft Annual Accounts for audit.
 - e) Local authorities “should aim” to approve the audited Annual Accounts no later than 30 September and publish them no later than 31 October. The approved Annual Accounts are to be published on the Council’s website for a period of at least five years.

- f) Elected members should consider the external auditor's ISA260 report which covers any significant findings from the audit and any uncorrected errors. Further reports made on the Annual Accounts by the auditor should be considered also.
- g) There is now a legal requirement for a professional and objective internal auditing service that operates in accordance with recognised standards and practices [Public Sector Internal Audit Standards]. This includes a quality assurance and review by the Corporate Management Team and Audit Committee; and for an annual review of the effectiveness of internal control.

Comment

These requirements catch up best accounting practice and are consistent with CIPFA guidance. The Council comply fully with the requirements.

6.0 GUIDANCE TO FOLLOW

- 6.1 The Scottish Government is minded to require a *management commentary* to preface and explain the financial statements in line with the UK Government's Financial Reporting Manual (FRM). A management commentary is similar but not exactly the same as the existing explanatory foreword and has more of a corporate emphasis. In acknowledgement of this, the management commentary is normally certified by the Chief Executive and the Council Leader, in addition to the Chief Financial Officer.

Comment

Officers await the detail of the guidance. CIPFA/LASAAC are in favour of such a development [although not minded to make this a CODE requirement]. A move to a management commentary would be entirely consistent with the more corporate approach of other changes e.g. certifications.

7.0 IMPLICATIONS

7.1 Financial

None.

7.2 Legal

None

7.3 Equalities

None

7.4 Personnel

None

Appendix 1 Revised Statement of Responsibilities for the Annual Accounts

1. The Council's Responsibilities

The Council is required to:

- i. Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the authority has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Acting Corporate Director of Environment, Regeneration & Resources (Section 95 Officer).
- ii. Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- iii. Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- iv. Approve the Annual Accounts for signature

I confirm that these Annual Accounts were approved for signature by Inverclyde Council's Audit Committee at its meeting on [date].

Signed on behalf of Inverclyde Council

CLlr Steven McCabe
Leader of the Council
Date:

2. The Acting Corporate Director of Environment, Regeneration & Resources (Section 95 Officer)'s Responsibilities

The Acting Corporate Director of Environment, Regeneration & Resources (Section 95 Officer) of Inverclyde Council is responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the Acting Corporate Director of Environment, Regeneration & Resources (Section 95 Officer) has:

- i. Selected suitable accounting policies and then applied them consistently.
- ii. Made judgements and estimates that were reasonable and prudent.
- iii. Complied with legislation
- iv. Complied with the local authority Accounting Code (in so far as it is compatible with legislation).

The Acting Corporate Director of Environment, Regeneration & Resources (Section 95 Officer) has also:

- i. Kept adequate accounting records which were up to date.
- ii. Taken reasonable steps for the prevention and detection of fraud and other irregularities.
- iii. Signed and dated the Balance Sheet.

I certify that the financial statements give a true and fair view of the financial position of the local authority and its group at the reporting date and the transactions of the local authority and its group for the year ended 31 March 2015.

Alan Puckrin
Acting Corporate Director of Environment, Regeneration & Resources (Section 95 Officer)
Date: