

FALKIRK COUNCIL

Subject: SCOTTISH GOVERNMENT CONSULTATION – LOCAL AUTHORITY ACCOUNTS REGULATIONS
Meeting: AUDIT COMMITTEE
Date: 23 September 2013
Author: CHIEF FINANCE OFFICER

1. INTRODUCTION

- 1.1 The Local Authority (Scotland) Accounts Regulations 1985 (the 1985 Regulations) set out the statutory arrangements for local authority accounts and audit. Following a request from the Local Authority (Scotland) Accounts Advisory Committee (LASAAC), the Scottish Government has carried out a review of the 1985 Regulations and are now consulting on the proposed changes.
- 1.2 The Council's proposed response is attached as an Appendix and will be submitted by the consultation closing date of 4 October 2013.

2. BACKGROUND

- 2.1 The review proposes a number of changes to the existing regulations which would be effective from financial year 2013/14 onwards and these are summarised below.

2.2 Strengthen governance

The consultation draft regulations propose:

- A role for the local authority as a corporate body to take responsibility for ensuring the financial management of the authority is adequate and effective. This includes a requirement for the authority to undertake an annual review of the effectiveness of its system of internal control. Following this review the authority is required to consider the findings of that review and issue a governance statement. This statement is to be published as part of the annual statutory accounts.
- Placing the responsibility on the local authority as a corporate body to keep adequate accounting records. The proper officer (i.e. CFO) is still identified as being responsible for maintaining the accounting systems and records and ensuring the systems are up to date and being observed.
- An enhanced role for council members for approving the annual statutory accounts, which requires a meeting of members, either of the authority or by committee, to consider the accounts.

2.3 Enhanced reporting

In addition the proposed changes seek to promote enhanced reporting in the statutory accounts. The CIPFA/LASAAC Code Board considered whether the Explanatory Foreword in the statutory accounts should be replaced with a Management Commentary in line with the UK Government's Financial Reporting Manual (FRoM). The position taken by the Code Board is to encourage local authorities to prepare a report taking into consideration the FRoM but not

making it a requirement. The Code Board has indicated it is looking to the UK Government and the Devolved Administrations to provide direction. Including the requirement for a Management Commentary in the consultation draft of the regulations seeks to resolve this situation by providing Scottish local authorities with the opportunity to express their views.

2.4 Internal audit

The consultation draft of the regulations proposes to make it a statutory requirement for a local authority to undertake an adequate and effective internal audit.

2.5 Remuneration Report

In 2011 the 1985 Regulations were amended to require the statutory accounts to contain a Remuneration Report, which includes the disclosure of information on pension rights.

The consultation undertaken in 2010 included a proposal for the remuneration report to disclose the value of the cash equivalent transfer value of a person's pension right. In light of consultation responses at that time, in particular feedback that imminent tax changes should be considered, Scottish Ministers did not make this disclosure a requirement in the amending regulations laid before the Scottish Parliament.

The disclosure of cash equivalent transfer values continues to be a requirement for both central government and the private sector, and this has not changed in light of tax changes to pensions. It is therefore proposed to make it a requirement that local authorities should make this disclosure.

2.6 Timetable and coverage

It is proposed that the 1985 regulations are revoked and replaced with a new single set of regulations and that the new regulations will come into force this financial year and will be applicable to the statutory accounts for 2013-14 onwards.

3. RECOMMENDATION

3.1 Committee is invited to note the Council's proposed response.

Chief Finance Officer

Date: 15 August 2013

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LIST OF BACKGROUND PAPERS

NIL