
Report To:	Audit Committee	Date:	27 August 2013
Report By:	Chief Financial Officer	Report No:	FIN/55/13/AP/BA
Contact Officer:	Alan Puckrin	Contact No:	01475 712223
Subject:	Proposed Changes to 2013-2014 Annual Accounts		

1.0 PURPOSE

- 1.1 The purpose of the report is to give advance notice of important changes that the Scottish Government wishes to make to the annual accounts process. The consultation draft Regulations *The Local Government Accounts (Scotland) Regulations 2013* reflect the strong desire of the Scottish Government to place a greater responsibility upon the local authority as a corporate body. The Scottish Government also seeks to bring 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 (FReM).

2.0 SUMMARY

- 2.1 The Scottish Government has recently issued a consultation document 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 have been well publicised for some time now, but it has taken the Scottish Government time to consult with the review working group and to agree the detail of the changes.
- 2.2 The Scottish Government proposes to bring the changes into operation for 2013-2014. The current Regulations have remained unchanged for almost 30 years and what is proposed to replace them is a significant 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 a small number of other areas tacked on - the annual governance statement, responsibility for internal audit, and the basis of valuation of pension rights in the Remuneration Report.
- 2.3 We have been aware for some time of the Scottish Government's intention to make the annual governance statement a mandatory disclosure and have been making suitable advance preparations. We are currently developing comprehensive arrangements for a *Local Code of Governance*. This will pave the way for the inclusion of the *Annual Governance Statement* in next year's (2013-2014) Accounts that will replace the current Statement on the System of Internal Control.
- 2.4 We have prepared the Council's response to the Scottish Government questionnaire, and this is attached as an appendix. We generally welcome the proposed changes. Whilst the response date is not until 4 October, our response has been presented for elected Members' consideration at this earlier date because the next meeting of the Audit Committee will not be until 22 October. This will permit the Committee to consider the issues arising before the submission is due.

3.0 RECOMMENDATIONS

3.1 It is recommended that Members:

1. note the content of this report; and
2. approve its submission to the Scottish Government.

Alan Puckrin
Chief Financial Officer

4.0 THE CHANGES: INTRODUCTORY SECTIONS OF THE 2013 REGULATIONS

- 4.1 Regulations 1 and 2 concern citation and commencement. The Scottish Government proposes that the Regulations will come into force in the current financial year. This means the new regulations will apply to the 2013-14 financial year and the 2013-14 annual statutory accounts, and subsequent years.

Inverclyde Council response

We generally welcome the proposed changes and that these commence in 2013-2014.

- 4.2 Regulation 3 amends the definition of “proper officer” to tidy up the issue of the absence or illness of the s95 Officer. This regulation also makes a minor change to terminology. “Statement of accounts” replaces the somewhat dated term “abstract of accounts” for the annual accounts.

Inverclyde Council response

The definition of a “proper officer” is now sufficiently inclusive to deal with the absence or illness of the s95 Officer. This also gives added authority to the post of Depute s95 Officer which many local authorities (including our own) have established precisely to mitigate the risks of single person dependency. We have not used the term “abstract of accounts” in our published annual accounts for some considerable time. The proposed change catches up with current accounting practice.

5.0 THE CHANGES: FINANCIAL MANAGEMENT AND INTERNAL CONTROL

- 5.1 Regulation 5 places a corporate responsibility on local authorities for financial management (e.g. internal control and risk management). This regulation also introduces a requirement for an Annual Governance Statement, approved by Committee and certified by the Chief Executive and the Council Leader.

Inverclyde Council response

This requirement catches up best accounting practice. The Regulations will over-ride the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (The CODE. The CODE does not prescribe an Annual Governance Statement in Scotland. We have been aware of the Scottish Government’s intention to make the annual governance statement a mandatory disclosure and have been making suitable advance preparations.

- 5.2 Regulation 6 places a new duty upon the local authority as a corporate body to keep adequate accounting records such that its financial position is able to be disclosed at any time (consistent with the provisions for the private sector in the Companies Act 2006). The responsibility for adequate accounting records remains largely with the s95 Officer.

Inverclyde Council response

We seek clarification on what would be necessary for a local authority and its s95 Officer to properly discharge their responsibilities under Regulation 6 , and in particular:

6.2.b “to disclose with reasonable accuracy, at any time, the financial position of the local authority”;

6.3.b “the accounting records must in particular contain . . . a record of the assets and liabilities of the local authority.

This is a significant change from the current position where the s95 Officer must keep proper accounting records that are up to date.

Scottish local authorities have well established arrangements for periodic budgetary monitoring and have a good track record of budgetary control. This embraces two broad aspects of day-to-day public services (revenue expenditure) and capital investment (capital expenditure). There is not however a periodic reporting of a balance sheet position which would provide a regular snapshot of the assets and liabilities of the local authority in accounting terms. This is done annually as part of the annual accounts process. A shift to the production of balance sheet reporting, say on a quarterly basis, would have significant resourcing implications.

Otherwise, we acknowledge and fully accept our responsibilities both corporate and for the s95 Officer.

- 5.3 Regulation 7 introduces a “tidy up” statutory requirement for internal audit in local authorities. A local authority must undertake an “adequate and effective” internal audit of its accounting records and of its system of internal control. Any officer or member must, if required, make available accounting records and other records for the purpose of internal audit and provide explanations as necessary. At least once in a financial year, a local authority must conduct a review of the effectiveness of internal audit, and the findings of the review included in the Annual Governance Statement and considered by a committee of the local authority.

Inverclyde Council response

We welcome the establishment of this on a more formal basis under Regulations. This is a fundamental of good governance, stewardship and risk management and must apply to all local authorities. The resourcing of the function to discharge an “adequate and effective” service should be at the discretion of the local authority.

6.0 THE CHANGES: PUBLISHED ACCOUNTS AND AUDIT

- 6.1 Regulation 8 requires a *management commentary* to preface and explain the financial statements in line with the FReM. 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 certified by the Chief Executive and the Council Leader, in addition to the Chief Financial Officer.

Inverclyde Council response

Agreed. We believe that CIPFA/LASAAC is 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.

- 6.2 Regulation 8.3.e brings in the requirement to disclose as a note to the accounts disposals of land at less than “best consideration”. This is consistent with disclosure requirements under the FReM.

Inverclyde Council response

We consider that there currently exists sufficient transparency in other public disclosures that local authorities already provide for disposals at less than best consideration. Local authorities are required, for example, to obtain Committee approval prior to disposal and must include full details in the report to elected members to permit an open public discussion and a fully informed decision.

A number of similar disclosures [e.g. Publicity Account under Local Government Act 1986, Local Authorities (Goods & Services) Act 1970] were recently removed from the CODE as part of the drive to remove the accounting clutter and, we consider, gives support to this view.

- 6.3 Regulation 8.5 brings in a “tidy up” for a statutory requirement for the s95 Officer to ensure that the statement of accounts gives “a true and fair view”.

Inverclyde Council response

Agreed. The proposed requirement catches up current recommended accounting practice.

- 6.4 Regulation 8.7 requires a copy of the unaudited draft accounts to be placed on the council's website during the period of public inspection and external audit.

Inverclyde Council response

Agreed. We consider the terms of Regulation 8.7 concerning the publication of the draft accounts on the council's website should be sufficient for the audit regulator to drop the current requirement for its acknowledgement of receipt of the draft accounts before the notice can be published. And for it also to

drop the current requirement for us to send the regulator a copy of the public notice in the Greenock Telegraph.

- 6.5 Regulation 9 concerns the public inspection of the annual accounts. Key changes made are to fix set national dates when:
- the public notice is to be advertised [by 11th July and if not a working day, next working day] - and on the local authority website for fourteen days;
 - the inspection period starts [25th July or next working day] - and for fifteen working days; and
 - the last date for objections [22nd August or next working day]

Inverclyde Council response:

Agreed. A uniform Scotland-wide approach to public inspection makes sense and provides greater clarity across councils and over financial years. An observation is that the “due by” date of 11th July for advertisement permits some local flexibility while by contrast the dates for inspection and objections are both set dates.

The authority would welcome regulation in order to align the 1973 Act with the provisions of the Freedom of Information Act 2000, in terms of information to be made available as part of the pre-audit inspection, including fees. Regulation 9 (4) (a) allows unlimited access to information referred to in section 101 (1) of the 1973 Act “all books, deeds, contracts, vouchers and receipts thereto”, at no cost, during the inspection period, which would otherwise be unavailable through the provisions of the Freedom of Information Act 2000. The authority would welcome additional regulation, which would give local authorities the ability to exercise discretion and to charge fees on a consistent basis with the FOI Act.

- 6.6 Regulation 10 concerns the approval of the audited statement of accounts and who should certify the various explanatory and assurance statements. The new regulations considerably extend the current certification practice of most local authorities (including our own). The regulations also now provide a legal basis for the “end date” of the audit [30 September].

The before and after position for the certification of various statements in the annual accounts now looks as follows:

Statement	Signed by (new regs)	Signed by (current)
Before 30th June at draft stage (before approval of audited accounts)		
Management commentary	Chief Exec, Council Leader & CFO	CFO only (explanatory foreword)
Annual governance statement	Chief Exec and Council Leader	Chief Exec & CFO (SSIFC)
Remuneration report	Chief Exec & Council Leader	Chief Exec & CFO
Statement of responsibilities	CFO	Not certified
Balance Sheets (Council & Group)	CFO	CFO
Before 30th September once audit complete (and after approval of audited accounts)		
Statement of responsibilities	Council Leader	Not certified
Balance Sheets	Resigning by CFO	Resigning by CFO

Inverclyde Council response:

We would recommend that the existing two-stage approval process continues. The first stage is for the Audit Committee to approve the draft accounts prior to submission. At this stage, the elected members can formally approve a number of transactions such as debt write-offs and transfers to and from

reserve funds. At the second stage in September, the Audit Committee approves the audited accounts but by this point there is very limited scope to make changes or to take decisions in respect of the accounts.

The new regulations (as proposed) considerably extend the current certification practice of most local authorities (including our own). We seek clarification on what assurances will be included in the Statement of Responsibilities that is to be certified by s95 Officer and by the Leader of the Council.

The current Statement of Responsibilities may be broadly sufficient for the s95 Officer's assurances; but we would seek clarification on whether the Leader (on behalf of all elected members) will require to sign an additional set of assurances (in addition to the current assurances) similar to the "Statement of Directors' Responsibilities" under the Companies Act e.g.

- Keep proper accounting records that disclose with reasonable accuracy at any time the financial position of the local authority and to enable them to ensure that the financial accounts comply with the CODE etc.
- Prepare the accounts on a going concern basis
- Responsible for safeguarding the assets of the local authority and hence of taking reasonable steps for the prevention and detection of fraud and other irregularities.

If this is the case, we would not support the certification of this Statement of Responsibilities by the Leader of the Council. It is unreasonable in our view to expect an elected representative of his or her local community to have a knowledge and understanding of technical local authority financial matters sufficient for them to be able to provide a robust assurance. If the Leader is expected to sign this Statement, we would expect the certification be done jointly by the Leader and the Chief Financial Officer.

We also recommend that a statement about the dates of signing needs to be included where statements are resigned or on different dates [e.g. Balance Sheet or Statement of Responsibilities].

- 6.7 Regulation 11 fixes the date [31st October] by which audited accounts must be published. This must include the audit certificate and any related audit report (normally the annual audit report of the appointed auditor). These are to be made available on the website of the local authority for a minimum period of five years.

Inverclyde Council response:

These proposals are welcome. These provide greater accessibility for the public in a more cost effective way. We already provide information in this way.

It would be helpful if the Scottish Government could clarify whether the "related audit reports" cover:

- reports on matters arising for the public to note [Best Value Reports, Community Planning Reports];
- special reports [items contrary to law, negligence, misconduct, failure to account, etc]; and
- orders issued by Scottish Ministers [following recommendations received from the Accounts Commission].

7.0 VIEWS SOUGHT

- 7.1 The Scottish Government invites comments on its proposal to change the basis of measurement of pension benefits in the Remuneration Report. The present basis is "accrued pension benefits"; in future the proposal is for the valuation basis to be the cash equivalent transfer value. Views are sought on this.

Inverclyde Council response:

We have referred this matter to the administering authority for the Strathclyde Pension Fund, who will be responding on behalf of all admitted bodies.

There are two other matters concerning the Remuneration Report that we wish to comment upon:

- *We would wish to see some flexibility introduced around the text and tables, specifically with a view to reducing the accounting clutter. The report is very full of detail and, we believe, this does not encourage it being read more extensively.*
- *We would wish the Regulations to be clearer that the report is a position statement on persons who were senior councillors or senior employees during the financial year under review only.*

7.2 The proposals do not include a legal requirement for an authority to establish an Audit Committee. Views on whether this should be included are requested and the roles and responsibilities of such a committee.

Inverclyde Council response:

Although our Council is very much in favour of an Audit Committee (based on our own experience), we do not believe that this should be prescribed. Local authorities are best placed to assess local circumstances and how to respond to these.

We would offer the following observation on the roles and responsibilities of an Audit Committee, that should include:

- *Monitoring the integrity of the financial statements;*
- *Monitoring specific exercises relating to financial performance and best value;*
- *Reviewing internal financial controls and reviewing the local authority's internal control and risk management systems;*
- *Monitoring and reviewing the effectiveness of the internal audit function;*
- *Considering reports and recommendations from the external auditor; and*
- *Developing and implementing the non-audit services policy.*

8.0 IMPLICATIONS

8.1 Financial

None. There may indeed be small economies from reduced external advertising.

8.2 Legal

None

8.3 Equalities

None

8.4 Personnel

None

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CONSULTATION: LOCAL AUTHORITY ACCOUNTS REGULATIONS

RESPONSE SHEET

If you ask for your response not to be published we will regard it as confidential and we will treat it accordingly. You should be aware that the Scottish Government is subject to the provisions of the Freedom of Information (Scotland) Act 2002 and would therefore have to consider any request made to it under the Act for information relating to responses made to this consultation exercise.

Unless confidentiality is requested the Scottish Government may also publish responses on the Scottish Government website. Please note that if you wish to provide additional commentary on separate sheets it would be helpful if you set out clearly the questions and/ or parts of the draft regulations to which your comments relate.

This response sheet provides some commentary on the proposed regulations. Please also refer to the consultation draft of the regulations which has been provided as part of the consultation documents.

The consultation closes **4 October 2013**

CONSULTATION QUESTIONS

The Local Government Accounts (Scotland) Regulations 2013			
PART 1: Introductory			
<i>Regulation 1: Citation and Commencement</i> We propose the regulations will come into force in the current financial year. This means the new regulations will apply to the 2013-14 financial year and the 2013-14 annual statutory accounts, and subsequent years. Regulation 3 provides an interpretation of words or phrases used in the regulations. The definition of proper officer has been extended to cover any absence or illness of the proper officer. Regulation 4 revokes The Local Authority Accounts (Scotland) Regulations 1985 (and amending regulations).			
	Question	Response	Comments / Feedback
1	Do you agree that the definition of proper officer addresses the issue of absence or illness of the proper officer? If not please provide reasons and any suggested alternative	Yes	The definition of "proper officer" is sufficiently inclusive in circumstances of the absence or illness of the s95 Officer.
2	Any other comments?	Yes	The definition also gives added authority to the post of Depute s95 Officer which many local authorities (including our own) have established precisely to mitigate the risks of single person dependency.
PART 2: Financial management and internal control			
<i>Regulation 5: Responsibility for financial management</i>			

This regulation introduces a new requirement. There is currently no statutory requirement for Scottish local authorities to undertake an annual review of their system of internal control or to report this in an Annual Governance Statement. The regulation requires the statement to be prepared in accordance with proper practices. The Scottish Government intends to issue non-statutory guidance which will identify proper practices as being *Delivering Good Governance in Local Government* published by CIPFA and SOLACE. The proposal is for the requirement to commence with the financial year 2013-14.

The CIPFA/LASAAC Code of Practice (the Code) on Local Authority Accounting requires Scottish local authorities to include a Statement of Internal Financial Control as part of the statutory accounts. The Code permits Scottish authorities to voluntarily adopt an annual review and the preparation of an Annual Governance Statement which is a statutory requirement in England and Wales.

	Question	Response	Comments / Feedback
3	Do you agree with the requirement for an annual review of internal control with a report on the review forming part of the annual statutory accounts?	Yes	This requirement catches up with recommended best accounting practice.
4	Do you agree that the requirement for an annual review and annual report should apply from the financial year 2013-14?	Yes	This has been well publicised in advance. Local authorities have had sufficient notice to put systems and procedures in place for 31 March 2014.
5	Do you agree that this requirement should apply to all Scottish local authorities irrespective of size? If not please provide reasons.	Yes	This is consistent with CIPFA guidance. The CODE will no doubt be changed to make this mandatory as is already the case in England and Wales.
6	Any others comments?	No	

Regulation 6: Accounting records and control systems

Regulation 6(6) and 6(7) replace Regulation 3 of the Local Authority Accounts (Scotland) Regulations 1985. This places a responsibility on the proper officer (section 95 of the Local Government (Scotland) Act 1973) for the accounting control systems and records.

Regulation 6(1) to 6(5) place a new duty on the local authority as a corporate body to keep adequate accounting records. This requirement is reflective of the provisions contained in the Companies Act 2006 (section 386).

	Question	Response	Comments / Feedback
7	Do you agree that the Companies Act provisions have been suitably adapted for local government?	Yes	In practice, this will be delivered by the s95 Officer on behalf of the local authority. Is there an explicit need to "prepare the accounts on a going concern basis" in the Statement of Responsibilities similar to the Statement of Directors' Responsibilities?
8	Any other comments?	Yes	We seek clarification on what would be necessary for a local authority and its s95 Officer to properly discharge their responsibilities under Regulation 6. Scottish local authorities have well established arrangements for periodic budgetary monitoring and have a good track record of budgetary control. This embraces two broad aspects of day-to-day public services (revenue expenditure) and capital

			investment (capital expenditure). There is not however a periodic reporting of a balance sheet position which would provide a regular snapshot of the assets and liabilities of the local authority in accounting terms. This is done annually as part of the annual accounts process. A shift to the production of balance sheet reporting, say on a quarterly basis, would have significant resourcing implications. Otherwise, we acknowledge and fully accept our responsibilities both corporate and for the s95 Officer.
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Regulation 7: Internal Audit

This is a new requirement for a local authority to undertake an adequate and effective internal audit function.

	Question	Response	Comments / Feedback
9	Do you agree there should be a statutory requirement for internal audit?	Yes	We welcome the establishment of this on a more formal basis under Regulations. [Please note our comments on resourcing in Q11.]
10	Do you agree that the requirement for internal audit should apply from the financial year 2013-14?	Yes	This is an entirely practical recommendation with no additional resource implications.
11	Do you agree that this requirement should apply to all Scottish local authorities irrespective of size? If not please provide reasons.	Yes	This is a fundamental of good governance, stewardship and risk management and we consider should apply to all local authorities. The resourcing of the function should be at the discretion of the local authority.
12	Any other comments?		

PART 3: Published Accounts and Audit

Regulation 8: Statement of Accounts

The adoption of the phrase 'Statement of Accounts' (see regulation 3 for Interpretation) in the regulations is to mirror the usage of this phrase by the CIPFA/LASAAC Code of Practice on Local Authority Accounting.

Regulation 8(2) sets out the statements which must be included in the Statement of Accounts. This includes a Management Commentary. 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 (FReM). The position taken by the Code Board is to encourage local authorities to prepare a report taking into consideration the FReM 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.

Regulation 8(3)(e) introduces a new requirement to disclose details of any land disposed of at less than best consideration. This reflects a similar requirement for central government.

Regulation 8(5) and 8(6) sets out the proper officer's responsibilities to produce the statement of accounts by 30 June each year and to send these for audit. The regulations introduce a new requirement that the statement of accounts gives a true and fair view of the

authority's (or group) financial position. These provisions replace regulation 4 of The Local Authority Accounts (Scotland) Regulations 1985.

Regulation 8(7) introduces a new requirement to publish the unaudited statement of accounts on the website of the authority.

	Question	Response	Comments / Feedback
13	Do you agree that the annual statutory accounts should be known as the Statement of Accounts?	Yes	We have not used the term "abstract of accounts" in our published annual accounts for some considerable time. The main reports in the accounts – MiRS, CIES, Balance Sheet and CFS are all described as "statements". The proposed requirement catches up with current recommended accounting practice.
14	Do you agree there should be a statutory requirement for a management commentary? If not why not? What alternative/s would you suggest?	Yes	A management commentary is not necessarily the same as the existing explanatory foreword. We believe that 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.
15	Do you agree the requirement to disclosure details of any land disposed at less than best consideration is suitably drafted?	No	We consider that there is already sufficient transparency in other disclosures local authorities provide for disposals at less than best consideration. Local authorities are required, for example, to obtain Committee approval prior to disposal and must include full details in the report to elected members to permit an open public discussion and a fully informed decision. A number of disclosures [e.g. Publicity Account under Local Government Act 1986, Local Authorities (Goods and Services) Act 1970], were recently removed from the CODE as part of the drive to remove the accounting clutter and support this view.
16	Do you agree that there should be a statutory requirement for the proper officer to ensure the statement of accounts gives a true and fair view of the local authority's (or group) financial position?	Yes	The proposed requirement catches up with current recommended accounting practice.
17	Any other comments?	Yes	In our view, the terms of Regulation 8.7 concerning the publication of the draft accounts on the council's website will be sufficient for the audit regulator to

			drop the current requirement for its acknowledgement of receipt of the draft accounts before the public notice can be published. And for it also to drop the current requirement for us to send the regulator a copy of the public notice in the Greenock Telegraph.
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Regulation 9: Notice of public right to inspect and object to accounts

This regulation replaces regulation 5 of The Local Authority Accounts (Scotland) Regulations 1985.

A key change made is to fix the date when the public notice is to be given, the date the inspection period commences, and the date until which objections may be made. The inspection period remains set at 15 working days.

	Question	Response	Comments / Feedback
18	Do you agree that the date for the public notice, the period of inspection and the latest date for objections should be fixed? If not why not? What alternative would you suggest?	Yes	The year-end date is the same for all local authorities, as is the date for submission of the draft accounts. It makes sense to provide greater clarity by a uniform approach to inspection across all councils. The draft proposals [9.3.a] are for advertisement by 11 July, and this “due by” date permits some local flexibility. By contrast, the dates for inspection [9.4.a] and objections [9.4.d] are both fixed.
19	Any other comments?	Yes	The authority would welcome regulation in order to align the 1973 Act with the provisions of the Freedom of Information Act 2000, in terms of information to be made available as part of the pre-audit inspection, including fees. Regulation 9 (4) (a) allows unlimited access to information referred to in section 101 (1) of the 1973 Act “all books, deeds, contracts, vouchers and receipts thereto”, at no cost, during the inspection period, which would otherwise be unavailable through the provisions of the Freedom of Information Act 2000. The authority would welcome additional regulation, which would give local authorities the ability to exercise discretion and to charge fees on a consistent basis with the FOI Act.

Regulation 10: Signing and consideration of audited accounts

This new regulation replaces regulation 6(1) of The Local Authority Accounts (Scotland) Regulations 1985, which requires the audited accounts to be laid before a meeting of the local authority held not later than two months after receipt of the audit certificate.

Regulation 10 of the new regulations requires the local authority, or a committee of the authority whose remit includes audit or governance, to formally meet to consider approval of the statement of accounts. This must be by 30 September. The stakeholder working group considered whether this should be an approval process or if the authority should be

required to accept the statement of accounts for governance purposes. The regulations require approval as this has a natural meaning and is unambiguous. The regulation sets out which statements must be signed and dated and by whom. The proper officer is re-certify the statement of responsibilities and the balance sheet(s) of the statement of accounts.

	Question	Response	Comments / Feedback
20	Do you agree that the new requirement for the accounts to be approved should apply from the financial year 2013-14? If not please provide reasons.	No	<p>We would recommend that the existing two-stage approval process continues.</p> <p>The first stage is for the council to approve the draft accounts prior to submission. At this stage, the council can formally approve a number of transactions such as debt write-offs and transfers to and from reserve funds. At the second stage in September, the council approves the audited accounts but by this point there is very limited scope to make changes or to take decisions in respect of the accounts.</p> <p>The new regulations (as proposed) considerably extend the current certification practice of most local authorities (including our own). We seek clarification on what assurances will be included in the Statement of Responsibilities that is to be certified by s95 Officer and by the Leader of the Council.</p> <p>The current Statement of Responsibilities may be broadly sufficient for the s95 Officer's assurances, but we wish to have clarified whether the Leader (on behalf of all elected members) will require to sign an additional set of assurances (in addition to the current assurances) similar to the "Statement of Directors' Responsibilities" under the Companies Act e.g.</p> <ul style="list-style-type: none"> ▪ Keep proper accounting records that disclose with reasonable accuracy at any time the financial position of the local authority and to enable them to ensure that the financial accounts comply with the CODE etc. ▪ Prepare the accounts on a going concern basis ▪ Responsible for safeguarding the assets of

			<p>the local authority and hence of taking reasonable steps for the prevention and detection of fraud and other irregularities.</p> <p>If this is the case, we would not support the certification of this Statement of Responsibilities by the Leader of the Council. It is unreasonable in our view to expect an elected representative of his or her local community to have a knowledge and understanding of technical local authority financial matters sufficient for them to be able to provide a robust assurance.</p> <p>If the Leader is expected to sign this Statement, we would expect the certification be done jointly by the Leader and the Chief Financial Officer.</p>
21	Any other comments?	Yes	<p>We recommend that a statement about the dates of signing needs to be included where statements are resigned or on different dates [e.g. Balance Sheet or Statement of Responsibilities].</p>
<p><i>Regulation 11: Publication of the audited statement of accounts</i> This regulation replaces regulations 6(2) and 7 of The Local Authority Accounts (Scotland) Regulations 1985. The new regulation fixes the date – 31 October – by which the audited accounts must be published. There is a requirement to publish the statement of accounts, the audit certificate and also a copy of any related report. This should include the Annual Audit Report of the appointed auditor. A copy of the audited statement of accounts is to be made available on the website of the local authority for a minimum period of 5 years. Copies must be available for purchase for the same period. It is not intended that published copies need to be held for purchase just that the authority has the ability to produce a copy if requested. It is anticipated that holding an electronic PDF would satisfy this requirement.</p>			
22	Do you agree with the revised publication requirements? If not please provide reasons.	Yes	<p>The proposed regulations for publication are welcome. This provides greater accessibility for the public in a more cost effective way. We already provide information in this way.</p>
23	Any other comments?	Yes	<p>It would be helpful if the Scottish Government could clarify whether the “related audit reports” cover:</p> <ul style="list-style-type: none"> ▪ reports on matters arising for the public to note [Best Value Reports, Community Planning Reports]; ▪ special reports [items contrary to law, negligence, misconduct, failure to

			<ul style="list-style-type: none"> account, etc]; and orders issued by Scottish Ministers [following recommendations received from the Accounts Commission].
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SCHEDULE Content of Remuneration Report

References to police and fire have been removed from the regulations. The consultation draft regulations do not make any further changes to the requirement for a Remuneration Report as currently set out in the 1985 Regulations.

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. This has not changed in light of tax changes to pensions. We therefore propose to make it a requirement that local authorities should make this additional disclosure.

	Question	Response	Comments / Feedback
25	Do you agree that the cash equivalent transfer value of a person's pension should be disclosed?	Response awaited from Admin Authority	We have referred this matter to the administering authority for the Strathclyde Pension Fund, who will be responding on behalf of all admitted bodies.
26	Do you agree that the cash equivalent transfer value of both officers and council members should be disclosed?	Response awaited from Admin Authority	
27	Are there any other changes which need to be made to the remuneration report requirements? If yes please provide details of the changes you would propose	Yes	<p>a) We would wish to see some flexibility introduced around the text and tables in the Remuneration Report, specifically with a view to reducing the accounting clutter. The report is full of detail, and we believe, this does not encourage it being read more extensively.</p> <p>b) We would wish the Regulations to clarify that the Remuneration Report is a position statement on persons who were senior councillors or senior employees during the financial year under review. Senior councillors or senior employees who left before the commencement of the financial year need not be reported.</p>

OTHER QUESTIONS – Items not in the regulations

The new regulations require the approval of the annual governance statement and the statutory accounts themselves by either the local authority or a committee whose remit includes audit or governance functions. The stakeholder group convened to review the 1985 Regulations agreed that an audit committee represented best practice and wished to seek, through a consultation, whether this should be made a statutory requirement. This section provides the opportunity to comment on this proposal and more generally on the Accounts and Audit provisions in the on Local Government (Scotland) Act 1973 (sections 96-104),

and the Regulations (made under section 105 of the 1973 Act).

	Question	Response	Comments / Feedback
28	Do you agree that there should not be a statutory requirement for a local authority to have an Audit Committee? If yes please provide details of what roles and responsibilities you believe this committee should have.	No	<p>Although our council is very much in favour of Audit Committees, we do not believe that there needs to be prescription. Local authorities are best placed to assess local circumstances and how to respond to these.</p> <p>We suggest that an Audit Committees' main roles and responsibilities should include:</p> <ul style="list-style-type: none"> ▪ Monitoring the integrity of the financial statements; ▪ Monitoring specific exercises relating to financial performance and best value; ▪ Reviewing internal financial controls and reviewing the local authority's internal control and risk management systems; ▪ Monitoring and reviewing the effectiveness of the internal audit function; ▪ Considering reports and recommendations from the external auditor; ▪ Developing and implementing the non-audit services policy
29	Any other changes to either the primary or secondary legislation you consider should be made? Please provide details of any changes, including reasons why you consider that change is required.	No	