

**ANGUS COUNCIL**

**SCRUTINY AND AUDIT COMMITTEE – 27 JANUARY 2015  
ANGUS COUNCIL – 12 FEBRUARY 2015**

**THE LOCAL AUTHORITY ACCOUNTS (SCOTLAND) REGULATIONS 2014 – STATUTORY  
ANNUAL ACCOUNTS 2014/15**

**REPORT BY IAN LORIMER, HEAD OF CORPORATE IMPROVEMENT AND FINANCE**

**ABSTRACT**

The purpose of this report is to advise the committee on the Local Authority Accounts (Scotland) Regulations 2014 which came into force on 10 October 2014 and to outline the implications for the Committee's role in scrutinising the Council's Accounting Statements. The report also highlights that the Standing Orders of the Council and the Order of Reference of Committees will need to be revised in light of the new requirements of the legislation.

**1. RECOMMENDATIONS**

1.1 It is recommended that the Scrutiny & Audit Committee:-

- i) note the contents of this report
- ii) agree that a training session be organised to support members in their new role in relation to the Councils Accounting Statements.

It is recommended that the Scrutiny & Audit Committee and the Council:-

- iii) note that revisions will be required to be made to the Standing Orders of the Council and the Order of Reference of Committees and these will be brought forward in due course.

**2. ALIGNMENT TO ANGUS COMMUNITY PLAN / SINGLE OUTCOME AGREEMENT**

2.1 This report contributes as a whole to the local outcomes contained within the Angus Community Plan and Single Outcome Agreement 2013-2016.

**3. BACKGROUND**

3.1 The main legislation setting out the obligations on the Council in preparing and publishing its Annual Accounting Statements is contained in the Local Authority Accounts (Scotland) Regulations 1985 (the 1985 Regulations). The Scottish Government issued a consultation document in the summer of 2013 on its proposals for the replacement of the existing "1985" Regulations. The Council's response was approved by this committee, report 533/13 refers and submitted to the Scottish Government. A number of changes to the proposed legislation were made as a result of the responses to the consultation.

3.2 The Scottish Government wrote to all Directors of Finance of Scottish Local Authorities on 16 July 2014 to advise on the requirements of the new regulations. The Local Authority Accounts (Scotland) Regulations 2014 were laid before the Scottish Parliament on 7 July and came into force on the 10 October 2014. These regulations will apply to the statutory Annual Accounts commencing with the financial year 2014/15.

3.3 The new regulations revoke The Local Authority Accounts (Scotland) Regulations 1985, making the 2013/14 statutory annual accounts the last ones subject to the 1985 regulations.

3.4 The previous regulations had remained unchanged for almost 30 years. The changes primarily affect the Annual Accounts process and bring the certification, public inspection and the publication of 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 on the explanatory foreword of local authorities and how best to bring this in line with the management commentary provided by other public bodies under the UK Government's Financial Reporting Manual (FRoM). Separate guidance on the management commentary is currently being drafted and will be published at a later date.

#### **4. CURRENT POSITION**

4.1 The Local Authority Accounts (Scotland) Regulations 2014 (The Regulations) have four parts with a schedule on the content of the Remuneration Report.

4.2 The Regulations have made changes to the 1985 current legislation and the changes can be classified into new practice and matters of good practice now becoming a legislative requirement.

4.3 The changes being introduced by the legislation are as follows:-

i) Approval of Annual Accounts

The committee whose remit includes audit or governance functions must meet to consider the audited accounts and aim to approve the Annual Accounts for signature no later than the 30 September and to publish them no later than 31 October. In considering the Annual Accounts the regulations require elected members to have regard to any report made or advice provided on the Annual Accounts by the proper officer (Section 95 Officer) or appointed auditor. What this means is that members of the Scrutiny & Audit Committee will be required to give their approval to the Annual Accounts being signed off as complete, a role which is entirely new but is consistent with practice in other parts of the public sector. Once the Scrutiny & Audit committee approves the annual accounts, the relevant statements require to be signed and dated on a variety of pages by the Leader of the Council, Chief Executive and Section 95 Officer.

ii) The Statement of Responsibilities

The regulations have introduced changes to the format of this statement (.)to improve transparency. The statement will be amended to include statutory references, identify the job title of the Section 95 Officer and new wording concerning the certification. The statement will now need to be signed by the Leader of the Council and the Section 95 Officer.

iii) Note of Public Right to Inspect and Objection to Accounts

The current arrangement which requires the local authority to gain approval or clearance of the public notice by the Controller of Audit will no longer apply.

The regulations have introduced an inspection period that will be common to all local authorities. The regulations have set deadlines for the period of advertisement and inspections rather than fixed dates. In summary these are:-

- Public notices must be advertised no later than 17 June (or next working day)
- 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 as necessary)
- Last date for objections is 21 days after date the documents are first available for inspection. The latest date will be 22 July (or next working day) for objections to be sent to the auditor

4.4 Matters of good practice that are now a legislative requirement are as follows:-

- i) Responsibility for Financial Management  
The regulations require an annual review of the effectiveness of a local authority's system of internal control, together with the requirement to approve an Annual Governance Statement. The findings of the Internal Control review are to be considered at a meeting of elected members and following that review, members must approve an Annual Governance Statement. The Regulations require the Annual Governance Statement to be prepared in accordance with proper practices in relation to internal control and the approved Annual Governance Statement is to form part of the Annual Accounts.
- ii) Accounting Records and Control Systems  
The regulations require a local authority's accounting records to disclose with reasonable accuracy, at any time, a summary of the financial position of the local authority. These summaries should disclose information on the Treasury position and Budget Monitoring and Projected year end position for both revenue and capital budgets. The information should allow members to determine whether the Council's finances are in line with budgets and what actions are being taken to address issues arising.
- iii) Internal Audit  
The regulations require a local authority to operate a professional and objective internal auditing service. The service must be provided in accordance with recognised standards and practices in relation to internal auditing, Recognised standards and practices are those set out in the Public Sector Internal Audit Standards (PSIAS). This includes developing a quality assurance and improvement programme which needs to be reported to Senior Management and elected members.
- iv) Annual Accounts  
The regulations adopt the more universal term "Annual Accounts" instead of Statement of Accounts.

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 regulations require the Annual Accounts of the local authority to also include a Management Commentary which will replace the Explanatory foreword currently prepared. As mentioned in paragraph 3.4 separate guidance is currently being drafted for the local authority Management Commentary.

The regulations require the unaudited accounts to be submitted to the appointed auditor no later than the 30 June.

The regulations require the signed audited accounts to be published no later than the 31 October. The approved Annual Accounts, together with the audit certificate on those accounts, is to be published on the website of the local authority for a period of at least 5 years.

- 4.5 The new Regulations will bring specific challenges for the Council's finance officers and our external auditor to achieve the target dates for specific actions required by the Regulations but it also gives elected members a specific scrutiny and sign off role which has not existed in the past. With this in mind a training session will be organised (open to all members of the Council to attend) to discuss the requirements of the new Regulations in more detail and to address any concerns members may have over what they are being asked to do.
- 4.6 The new Regulations will require the Standing Orders of the Council and the Order of Reference of Committees to be reviewed and this will be undertaken by officers in due course and brought back to Council for approval.

## **5. FINANCIAL IMPLICATIONS**

5.1 There are no financial implications arising from this report.

**NOTE:** No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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