

# CHAPTER ONE

## Introduction

### 1.1 OBJECTIVE OF THE CODE

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- 1.1.1 The *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position, financial performance and cash flows of a local authority, including group financial statements where a local authority has material interests in subsidiaries, associates or joint ventures.
- 1.1.2 The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:
- Statements of Accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit (~~England~~) Regulations ~~2014~~ 2015 and for Wales by the Accounts and Audit (Wales) Regulations 2014
  - the audit of those accounts undertaken in accordance with the statutory framework established by sections 5-3 and 20 of the ~~Audit Commission Act 1998~~ Local Audit and Accountability Act 2014 for England, and by sections 39 and 58 of the Public Audit (Wales) Act 2004 for Wales.
- 1.1.3 In Scotland, the Code constitutes proper accounting practice under section 12 of the Local Government in Scotland Act 2003. These proper practices apply to:
- Annual Accounts prepared under the statutory framework established by the Local Authority Accounts (Scotland) Regulations 2014
  - the audit of those accounts, undertaken in accordance with the statutory framework established by section 99 of the Local Government (Scotland) Act 1973.
- 1.1.4 In Northern Ireland, the statutory framework for the accounts and audit is established by Article 24 of the Local Government (Northern Ireland) Order 2005 and the Local Government (Accounts and Audit) Regulations (Northern Ireland) ~~2006~~ 2015.
- 1.1.5 In the unusual event that other statutory provisions require departures from the Code, then those statutory provisions shall be followed. Regard will still need to be given, however, to the need for the Statement of Accounts (Annual Accounts in Scotland<sup>1</sup>) to give a 'true and fair' view of the financial position, financial

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<sup>1</sup> References to Statement of Accounts in this Code mean Annual Accounts for Scottish

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performance and cash flows of the authority, which may mean the inclusion of additional information in accordance with the provisions of the Code.

- 1.16 The Code prescribes the accounting treatment and disclosures for all normal transactions of a local authority, and is based on European Union adopted IFRS. On the few occasions where the CIPFA/LASAAC Local Authority Accounting Code Board considers it appropriate to adapt IFRSs, the accounting treatment is based on the approach in the Memorandum of Understanding between the Relevant Authorities.
- 1.17 The Code involves adaptations and interpretations of International Financial Reporting Standards and other pronouncements by the International Accounting Standards Board (IASB) subject to such adaptations and interpretations as are necessary for the local government context. These will be clearly identified in each chapter or section of the Code. In all other cases, the Code implements the requirements of the International Financial Reporting Standards. Where users experience difficulties interpreting this Code, they shall refer back to the relevant International Financial Reporting Standard or other pronouncement for further guidance. Where adaptations and interpretations of International Financial Reporting Standards contained in the Code are in line with the guidance contained in International Public Sector Accounting Standards or other reporting standards relevant to the public sector, authorities shall refer to those standards for further guidance.
- 1.18 In the unusual event that a local authority enters into a transaction, the accounting treatment and disclosure requirements of which are not covered by the Code, but which are covered by an extant IAS, IFRS, SIC Interpretation or IFRIC Interpretation, by an IPSAS or other reporting standards relevant to the public sector, the requirements of the relevant IAS, IFRS, SIC Interpretation, IFRIC Interpretation, IPSAS or other GAAP shall be followed.

## 1.2 APPLICABILITY OF THE CODE

- 121 This Code has effect for financial years commencing on or after 1 April ~~2015~~2016.
- 122 In England and Wales, the Code is part of the 'proper practices' requirements governing the preparation of an authority's Statement of Accounts referred to in section 21 of the Local Government Act 2003. However, the Code does not apply to any parish or community councils, even those required to prepare Statements of Accounts. Alternative guidance is applicable to these councils. All authorities to which section 21 applies that are required to prepare a Statement of Accounts by

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authorities following the specifications of the Local Authority Accounts (Scotland) Regulations 2014. This chapter of the Code for the avoidance of doubt uses the term Annual Accounts for Scottish authorities.

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the Accounts and Audit Regulations under section 27-32 of the Audit Commission Act 1998 Local Audit and Accountability Act 2014 or section 39 of the Public Audit (Wales) Act 2004, except parishes and community councils, therefore have a statutory duty to comply with Code requirements. In practice this definition includes principal councils, police and crime commissioners, fire and rescue authorities, and the Greater London Authority and its functional bodies.

123 ~~In practice this definition includes principal councils, police and crime commissioners, fire and rescue authorities, and the Greater London Authority and its functional bodies. Section 3 of the Local Audit and Accountability Act 2014 requires a relevant authority (defined in Schedule 2 of the Act (other than a health service body)) to prepare a statement of accounts. It is expected that bodies covered by the Accounts and Audit Regulations 2015 or the Accounts and Audit (Wales) Regulations 2014 requirements to prepare a Statement of Accounts but not by the definition of proper practices in section 21 of the Local Government Act 2003 will adopt the Code as a source of proper practices, unless adoption is ruled out by legislation or a more specialised accounting code applies to them. Specialised bodies should check against the definitions to determine whether they are covered.~~

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124 Section 141 of the Anti-social Behaviour, Crime and Policing Act 2014 stipulates that a number of sections of Part 1 Capital Finance etc and Accounts of the Local Government Act 2003 (including Sections 21 and 22) apply to chief constables as they apply to a local authority.

~~transitional provision order<sup>2</sup> confirmed that sections 21 and 22 of the Local Government Act 2003 apply to chief constables as they apply to a local authority. More specialised bodies should check against the definitions to decide whether they are covered. It is expected that bodies covered by the Accounts and Audit Regulations requirements to prepare a Statement of Accounts but not by the definition of proper practices in section 21 of the Local Government Act 2003 will adopt the Code as a source of proper practices, unless adoption is ruled out by legislation or a more specialised accounting code applies to them.~~

1245 The Accounts and Audit (England) Regulations 2014 Local Audit and Accountability Act 2014 confirmed the ~~a new~~ threshold for smaller relevant bodies-authorities in England below which a Statement of Accounts is not required to be prepared. However, these bodies-authorities are permitted by legislation to follow the requirements for larger relevant bodies-authorities in relation to the Statement of Accounts, which might mean the requirements of the

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<sup>2</sup> ~~See SI 2013/2319: The Police Reform and Social Responsibility Act 2011 (Transitional Provision) Order 2013.~~

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Code. ~~\_In addition the regulations require passenger transport executives to prepare a Statement of Accounts as if proper practices in relation to accounts were, as appropriate, applicable to an executive. They also require that internal drainage boards charge a revenue account with an amount equal to the payments and contributions statutorily payable in a year under an arrangement accounted for as a defined benefit pension plan or as other long term employee benefits (as defined in accordance with proper practices). Passenger transport executives and internal drainage boards should apply the Code in accordance with the requirements of the regulations.~~

**12.56** Scottish local authorities have a duty under section 12 of the Local Government in Scotland Act 2003 to observe proper accounting practices. The Code is recognised as setting out proper accounting practices in this regard. Local authorities are defined as a council constituted under section 2 of the Local Government (Scotland) Act 1994, the Strathclyde Partnership for Transport, and those bodies to which section 106(1) of the Local Government (Scotland) Act 1973 applies (ie committees, joint committees and joint boards, the members of which are appointed by local authorities, charities/trust funds, etc; the trustees of which are local authorities or their members and transport partnerships created under the Transport (Scotland) Act 2005). Where a section 106 body complies with the accounting requirements of the Charities and Trustee Investment (Scotland) Act 2005 and associated regulations it should follow the Charities SORP, or other financial reporting requirements as specified by the Office of the Scottish Charity Regulator (OSCR). Where a Common Good Fund (or other trust fund) is a registered charity, it should also follow the financial reporting requirements of the OSCR. Where the fund is not a registered charity, it should follow the requirements of this Code.

**12.67** In Northern Ireland, district councils are required to prepare Statements of Accounts under regulation ~~4-7~~ of the Local Government (Accounts and Audit) Regulations (Northern Ireland) ~~2006-2015~~ and the Code is part of the proper practices governing their preparation.

**12.78** This is the ~~sixth-seventh~~ edition of the Code to be prepared under International Financial Reporting Standards. This version of the Code reflects a number of changes to accounting practice since the ~~2014/15~~2015/16 Code. These changes are set out at the end of each section.

**12.89** Proper practice, as defined by regulations, also includes the requirements of other ~~codes of practice, such as the~~ *Service Reporting Code of Practice (SeRCOP)*. Although this Code no longer requires statements or notes to be prepared in accordance with SeRCOP, in preparing relevant statistical information based on accounting records local authorities ~~In preparing their accounts, authorities shall~~ will need to ensure that they comply with the requirements of ~~these other codes~~ SeRCOP and other Codes of practice as well as the requirements of this Code. Other Codes of Practice such as CIPFA's Prudential Code also rely on information

in the financial statements and accounting records. In preparing the financial statements local authorities shall comply with the requirements of that Code.

## **1.3 THE CONTEXT OF THE CODE'S RECOMMENDATIONS**

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- 13.1 The Code is supported by a number of detailed accounting recommendations which have evolved as best accounting practice over many years. The provisions of the Code are updated where professional or statutory developments make it appropriate. The primary sources are set out in Appendix B.
- 13.2 The Code sets out the accounting concepts and accounting principles which underpin the Statement of Accounts (Annual Accounts in Scotland). The following points are intended to put some of those requirements in context:
- The overriding requirement of the Code remains that the Statement of Accounts gives a 'true and fair' view of the financial position, financial performance and cash flows of the authority. Where there are changes in accounting policies or where the requirements of the Code are not met, then full disclosure and, where relevant, quantification in the Statement of Accounts are required.
  - The Code represents the minimum requirement for disclosure and presentation (subject to materiality) and is not intended to prejudice the provision of further information by authorities.

## **1.4 ACCOUNTING STANDARDS**

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- 14.1 The Code is based on approved accounting standards and also reflects specific statutory accounting requirements. Compliance with the Code is therefore necessary (save in exceptional circumstances) in order that an authority's accounts give a 'true and fair' view of the financial position, financial performance and cash flows of the authority.
- 14.2 The requirements of International Financial Reporting Standards and other pronouncements by the International Accounting Standards Board in effect for accounting periods commencing on or before 1 January 2015-2016 (as adopted by the EU) apply unless specifically adapted by the Code.

## **1.5 MATERIALITY**

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- 15.1 The Code provides a definition of materiality in paragraph 2.1.2.9 which is applied to information and disclosures in local authority financial statements. This Code only requires local authority financial statements to disclose information which is

material.<sup>3</sup> CIPFA/LASAAC is of the view that local authorities should only include disclosures that are material to the presentation of a 'true and fair' view of the financial position, financial performance and cash flows of the authority and to the understanding of users of the financial statements.

### 1.6 PURPOSE OF THE STATEMENT OF ACCOUNTS (ANNUAL ACCOUNTS IN SCOTLAND)

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1.6.1 The Code has been prepared on the basis that the purpose of a local authority's published Statement of Accounts ([Annual Accounts in Scotland](#)) is to give electors, those subject to locally levied taxes and charges, members of the authority, employees and other interested parties clear information about the authority's finances. It should answer such questions as:

What did the authority's services cost in the year of account?

Where did the money come from?

What were the authority's assets and liabilities at the year-end?

1.6.2 It is important for compliance with the Code that two particular aspects are understood clearly. First, all Statements of Accounts should reflect a common pattern of presentation, although this does not necessarily require them to be in an identical format. One of the main aims of the Code is to narrow the areas of difference and variety in accounting treatment and thereby to enhance the usefulness of published Statements of Accounts. ~~It is important that the costs of individual services are defined by local authorities in accordance with the CIPFA Service Reporting Code of Practice (separate service expenditure analyses exist for England and Wales, Scotland, and Northern Ireland).~~

1.6.3 Secondly, interpretation and explanation of the accounts are considered to be extremely important. The Code requires that there should be an ~~Explanatory Foreword~~[Narrative Report to accompany](#) ~~to~~ the [financial statements](#) /Statement of Accounts. The ~~Explanatory Foreword~~[Narrative Report](#) should explain the more significant features of the accounts ([see Section 3.1 of the Code for further details of the requirements to produce a Narrative Report](#)). It should be based on the information contained in the Statement of Accounts and local authorities should ensure that it does not contain material inaccuracies or misleading statements in relation to the Statement of Accounts.

1.6.4 Wherever possible the Statement of Accounts and the supporting notes should be written in plain language and technical terms or jargon should be used only

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<sup>3</sup> This position is based on paragraph 3.4.2.26 from the Code's adoption of IAS 1 *Presentation of Financial Statements* which states that 'A local authority need not provide a specific disclosure required by the Code if the information is not material.'

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sparingly. Where the use of technical terms cannot be avoided, they should always be explained clearly in a glossary.

- 1.6.5 Where an authority also publishes a summarised or simplified version of its Statement of Accounts, it should contain a clear reference to the existence of the full Statement of Accounts and to its availability.
- 1.6.6 Information contained in the Statement of Accounts will be consolidated into the Whole of Government Accounts. The Code aims to narrow the areas of difference and variety in accounting treatment with the rest of the public sector, facilitating consolidation. As part of the consolidation process, additional information to that disclosed in the Statement of Accounts may need to be submitted to government; such information is expected to be in line with the requirements of the Code.

## 1.7 PUBLICATION

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- 1.7.1 The Statement of Accounts (Annual Accounts in Scotland) should be prepared promptly by authorities in a form which fulfils the purpose outlined above in accordance with the statutory timetable and CIPFA's *Standard of Professional Practice on Financial Reporting*. ~~The accounts must be prepared by 30 June.~~ In England each authority is required to prepare its accounts for certification by the responsible financial officer by the first 10 working days in July and to approve and publish them by 30 September, or as soon as reasonably practicable after the receipt of the auditors final findings (if later). In Northern Ireland and Wales, the requirement is to prepare and approve accounts by 30 June and to publish them by 31 October. ~~September.~~ In Scotland, the proper officer is required to submit the unaudited accounts to the appointed auditor by 30 June. The local authority or a committee of that authority whose remit includes audit or governance functions must meet to consider the unaudited Annual Accounts as submitted to the auditor by 31 August. The Local Authority Accounts (Scotland) Regulations 2014 require the local authority to aim to approve the Annual Accounts for signature by 30 September and to publish them by 31 October. In Scotland, the proper officer is required to submit the unaudited accounts to the appointed auditor by 30 June. The local authority or a committee of that authority whose remit includes audit or governance functions must meet to consider the unaudited Annual Accounts as submitted to the auditor by 31 August. The Local Authority Accounts (Scotland) Regulations 2014 require the local authority to aim to approve the Annual Accounts for signature by 30 September and to publish them by 31 October. ~~and Wales, each authority is required to prepare its accounts by 30 June and to approve and publish them by 30 September. In Scotland, the proper officer is required to submit the unaudited accounts to the appointed auditor by 30 June. The local authority or a committee of that authority whose remit includes audit or governance functions must meet to consider the unaudited Annual Accounts as submitted to the auditor by 31 August. The Local Authority~~

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~~Accounts (Scotland) Regulations 2014 require the local authority to aim to approve the Annual Accounts for signature by 30 September and to publish them by 31 October. In Northern Ireland, the requirement is to prepare and approve accounts by 30 June and to publish them by 31 October.~~

- 1.7.2 The publication of a Statement of Accounts (Annual Accounts in Scotland) is a statutory requirement. However, Statements of Accounts/Annual Accounts form part of reporting in its wider sense, and must, therefore, be considered in relation to annual reports. It is recommended that the Statement of ~~Accounts~~ Accounts should be included within the annual report. However, where this is not appropriate, the annual report should contain a fair summary of the Statement of Accounts, with a cross-reference to where and how the full Statement of Accounts may be obtained. In Scotland, the financial statements are required to be included in the Annual Accounts.
- 1.7.3 The Code states which financial statements should be published as part of the Statement of Accounts (Annual Accounts in Scotland), and the information to be included in each statement. It also sets out recommendations regarding the order in which the financial statements and notes to the accounts are presented. Within the general framework and requirements of the Code, the layout of financial statements and terminology used are at the discretion of authorities.
- 1.7.4 The complete set of financial statements as defined in paragraph 3.4.2.17, and including the ~~summary of~~ significant accounting policies and notes to the accounts, should form the relevant Statement of Accounts for the purpose of the auditor's certificate and opinion in England, Northern Ireland and Wales. These should be included in the Annual Accounts in Scotland. The statements should be published with an audit certificate and opinion in England, Wales and Northern Ireland and with an audit certificate in Scotland. If the published Statement of Accounts has not been audited, this should be stated clearly on the front of the document.

## 3.4 PRESENTATION OF FINANCIAL STATEMENTS

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### 3.4.4 Disclosure Requirements

3.4.4.1 Authorities shall disclose the information in the financial statements as required by this section. Having regard to paragraph 3.4.2.26 of this section of the Code, which permits authorities not to provide a specific disclosure if information is not material, authorities shall disclose the notes as set out in the other sections of the Code in addition to the following:

- 1) The nature of any acquired or discontinued operations and details of any outstanding liabilities in respect of discontinued operations.
- 2) The nature, turnover, and surpluses/deficits of any significant trading operation and for Scottish local authorities the cumulative surplus or deficit for the current year and two preceding financial years in accordance with the requirements of the Local Government in Scotland Act 2003.
- 3) The nature and amount of any significant agency income and expenditure.
- 4) Sufficient information on any partnership schemes under s75 of the National Health Service Act 2006, under the Community Care and Health (Scotland) Act 2002 and under s33 of the National Health Service (Wales) Act 2006 to allow for the understanding of the authority's financial affairs. As a minimum this includes the purpose of the partnership, the identities of partner bodies, the gross income and expenditure of the partnership and the authority's contribution.
- 5) The totals of members' allowances (and expenses) paid in the year. In Scotland all elements of members remuneration and reimbursement of actual expenditure under the heads of salaries, allowances and expenses.
- 6) ~~a) Number of employees and police officers whose remuneration in the year was greater or equal to £50,000, grouped in rising bands of £5,000, and/or other disclosures specified in regulations or statutory guidance (Northern Ireland).~~<sup>4</sup>  
b) Number of exit packages agreed (grouped in rising bands of £20,000 up to £100,000, and bands of £50,000 thereafter), analysed between compulsory redundancies and other departures. Authorities shall also disclose the total cost of packages agreed in each band. Bands shall be combined where this is necessary to ensure that individual exit packages cannot be identified (except where disclosure of payments to the individuals is required elsewhere under regulations). Exit packages include compulsory and voluntary redundancy costs, pension contributions

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<sup>4</sup> Exposure Draft footnote only: It is anticipated that this requirement will be superseded by the Remuneration Report requirements as stipulated by the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015.

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in respect of added years, ex-gratia payments and other departure costs (England, Wales, Scotland and Northern Ireland). Scottish local authorities are required to include the disclosure of exit packages in the remuneration report.

- 7) The following amounts for the year:
  - a) Fees payable to auditors appointed ~~by the Audit Commission under the Local Audit and Accountability Act 2014 or the Auditor General for Wales~~ with regard to external audit services carried out by the appointed auditor under the ~~Audit Commission's Code of Audit Practice prepared by the Comptroller and Auditor General or Auditor General for Wales' Code of Audit and Inspection Practice~~ in accordance with ~~s5-s18 of the Audit Commission Act 1998 Local Audit and Accountability Act 2014 or s16 of the Public Audit (Wales) Act 2004.~~
  - b) Fees payable to the Auditor General for Wales with regard to external audit services carried out under the Code of Audit Practice prepared by the Auditor General for Wales.
  - ~~bc)~~ Fees payable to ~~auditors appointed by the Audit Commission or the Auditor General for Wales~~ in respect of statutory inspection ~~under s10 of the Local Government Act 1999.~~
  - ~~ed)~~ Fees payable to ~~auditors appointed by the Audit Commission or the Auditor General for Wales~~ for the certification of grant claims and returns ~~by the appointed auditor under s28 of the Audit Commission Act 1998 or s2 of the Public Audit (Wales) Act 2004.~~
  - ~~de)~~ Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the *Code of Audit Practice*.
  - ~~ef)~~ In Northern Ireland, the amount payable to the Comptroller and Auditor General for Northern Ireland in respect of external audit services.
  - ~~fg)~~ Fees payable in respect of any other services provided by the appointed auditor over and above the duties described in notes 7 a) to ~~ef)~~ above.
- 8) In Wales, the following information is also to be disclosed:
  - a) The total non-domestic rateable value at the year-end and the national non-domestic rate multiplier for the year.
  - b) The calculation of the council tax base, ie the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings.
  - c) The name of each authority which made a significant precept or demand on the account and the amount included for each authority.
- 9) In Northern Ireland, disclosure of details of the rates receivable by the authority (ie rate in the pound for domestic and non-domestic properties).
- 10) A breakdown of the movement of the amounts shown in the Movement in

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Reserves Statement that are adjustments between accounting basis and funding basis under regulations to be debited or credited to the General Fund and Housing Revenue Account for the year and the transfers to/from reserves.

- 11) Details of the nature and amount of trust funds where the authority acts as the sole trustee. For other trust funds and other third party funds administered by the authority, a statement providing an indication of the overall nature and amounts administered by the authority. Where land or non-financial assets are managed, occupied or held by the local authority which are impressed with charitable trusts, the nature of those holdings.

### Cash Flow Statement

- 12) An analysis of the components of cash and cash equivalents.

### 3.4.5 Statutory Disclosure Requirements

3.4.5.1 There are no statutory disclosure requirements in relation to the presentation of financial statements. Authorities shall disclose the statutory notes as set out in the other sections of the Code in addition to the following:

- 1) [The following disclosures on employee remuneration in accordance with the Accounts and Audit Regulations 2015 for English authorities and the Accounts and Audit \(Wales\) Regulations 2014.](#)
  - a) Number of employees and senior police officers (all police officers in Wales) (except those included in b) below) whose remuneration in the year was greater or equal to £50,000, grouped in rising bands of £5,000 (England and Wales), and
  - b) An analysis by job title of the remuneration and employer's pension contributions [\(as defined by the regulations referred to in 1\) above](#) in respect of senior employees and relevant police officers whose salary is £50,000 or more per year (or by name and job title where the salary is £150,000 or more per year) (England and Wales).
  - c) In Wales, the reference to '£50,000' in a) and b) above shall be read as '£60,000'.
  - d) In Wales, the remuneration ratio as required by the Accounts and Audit (Wales) Regulations 2014 (see Regulation 9(2)).
- 2) A brief explanation of the nature of any scheme under the Transport Act 2000 or the Transport (Scotland) Act 2001, including the gross income and expenditure of the scheme, and the net proceeds of the scheme (including for joint schemes the apportionment of such proceeds).
- 3) A disclosure that demonstrates whether the Dedicated Schools Grant (made under section 14 of the Education Act 2002) has been deployed in accordance with regulations made under sections 45A, 45AA, 47, 48(1) and (2) and 138(7) of, and paragraph 1(7)(b) of Schedule 14 to, the School Standards Framework

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Act 1998 (England).

### **Remuneration report (Northern Ireland)**

**3.4.5.2** Local authorities in Northern Ireland shall produce the statutory remuneration report required by the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015.<sup>5</sup>

### **Remuneration report (Scotland)**

**3.4.5.2** Local authorities in Scotland shall produce the statutory remuneration report in accordance with the requirements of the Local Authority Accounts (Scotland) Regulations 2014 (SSI 2014/200) and the guidance issued by the Scottish Government (Scottish Government Finance Circulars 8/2011 and 7/2014).

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<sup>5</sup> It is anticipated that the Department of the Environment Northern Ireland will specify the form and content of the Remuneration Report.

## 3.7 STATEMENTS REPORTING REVIEWS OF INTERNAL CONTROLS ~~OR INTERNAL FINANCIAL CONTROLS~~

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### 3.7.1 Introduction

3.7.1.1 Regulation ~~46(21)-(a)~~ of the Accounts and Audit ~~(England)~~ Regulations ~~2011~~2015, ~~Regulation 5(2) of the Accounts and Audit (Wales) Regulations 2014~~, Regulation ~~2A-4(2)~~ of the Local Government (Accounts and Audit) Regulations (Northern Ireland) ~~2006-2015~~, and Regulation 5(2) of the Local Authority Accounts (Scotland) Regulations 2014 ~~and Regulation 5(2) of the Accounts and Audit (Wales) Regulations 2014~~ require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (England) (as a part of the Annual Accounts (Scotland)). Regulation ~~46(31)-(b)~~ of the Accounts and Audit ~~(England)~~ Regulations ~~2011-2015~~, Regulation 4(4) of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 and Regulation 5(4) of the Local Authority Accounts (Scotland) Regulations 2014 require that for a local authority in England, Northern Ireland and Scotland the statement is an Annual Governance Statement.

### 3.7.2 Accounting Requirements

3.7.2.1 The review of internal controls or internal financial controls provides assurance that the Statement of Accounts gives a true and fair view of the authority's financial position at the reporting date and its financial performance during the year.

### 3.7.3 Statutory Accounting Requirements

3.7.3.1 Authorities (except in Scotland) are required to undertake and report on a review of internal controls.

### 3.7.4 Disclosure Requirements

3.7.4.1 A local authority shall undertake a review of its system of internal control in accordance with best practice. *Delivering Good Governance in Local Government*, published by CIPFA and SOLACE, recommends that the review be reported in an Annual Governance Statement.

3.7.4.2 The preparation and publication of an Annual Governance Statement in accordance with *Delivering Good Governance in Local Government* would fulfil the statutory requirement in England, Wales and Northern Ireland for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts. The statement shall relate to the governance system as it applied during the financial year for the accounts that it accompanies. However, significant events or developments relating to the governance system that occur

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between the reporting date and the date on which the Statement of Accounts is signed by the responsible financial officer shall also be reported. Where an authority is in a group relationship with other entities and undertakes significant activities through the group, the review of the effectiveness of the system of internal control shall include its group activities.

- 3.743 The following information shall be included in the Annual Governance Statement:
- a) An acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control).
  - b) An indication of the level of assurance that the systems and processes that comprise the authority's governance arrangements can provide.
  - c) A brief description of the key elements of the governance framework, including reference to group activities where the activities are significant.
  - d) A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements, including some comment on the role of the authority; the executive; the audit committee/overview and scrutiny committee/risk management committee; standards committee, internal audit and other explicit reviews/assurance mechanisms.
  - e) An outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan.
  - f) A specific statement on whether the authority's financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government* (2010) as set out in the Addendum (2012) to *Delivering Good Governance in Local Government: Framework* (CIPFA/SOLACE); and, where they do not, an explanation of how they deliver the same impact.
- 3.744 It is important to recognise that the governance statement covers all significant corporate systems, processes and controls, spanning the whole range of an authority's activities, including in particular those designed to ensure that:
- the authority's policies are implemented in practice
  - high-quality services are delivered efficiently and effectively
  - the authority's values and ethical standards are met
  - laws and regulations are complied with
  - required processes are adhered to
  - performance statements and other published information are accurate and reliable
  - human, financial and other resources are managed efficiently and effectively.
- 3.745 The governance statement shall be approved at a meeting of the authority or delegated committee (in Scotland, the authority or a committee with a remit

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including audit or governance) and signed by the chief executive and a leading member (in Scotland, by the chief executive and the leader of the council).

### 3.7.5 Statutory Disclosure Requirements

3.7.5.1 Statutory disclosure requirements will be met by complying with the disclosure requirements set out above.

### 3.7.6 Changes since the ~~2014~~2015/15-16 Code

3.7.6.1 The ~~2015~~2016/16-17 Code includes ~~the requirements under the Local Authority Accounts (Scotland) Regulations 2014 for Scottish local authorities to undertake a review of internal control and to produce an Annual Governance Statement as a part of the Annual Accounts.~~an update of the Section for Statements Reporting Reviews of Internal Controls for the new Accounts and Audit 2015 Regulations and the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015.

## 3.8 EVENTS AFTER THE REPORTING PERIOD

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### 3.8.1 Introduction

3.8.1.1 Authorities shall account for events after the reporting period in accordance with IAS 10 *Events after the Reporting Period*, except where adaptations to fit the public sector are detailed in the Code. IPSAS 14 *Events after the Reporting Date* is based on IAS 10, and introduces no additional accounting requirements, although it provides additional guidance for public sector bodies.

#### Adaptation for the public sector context

3.8.1.2 The date the financial statements are authorised for issue is defined in the Code, based on legislative requirements.

3.8.1.3 Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

### 3.8.2 Accounting Requirements

#### Definitions

3.8.2.1 **Events after the reporting period** are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and
- b) those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

#### Authorised for issue

3.8.2.2 The financial statements of an authority are authorised for issue in accordance with the relevant legislation:

- the Accounts and Audit ~~(England)~~ Regulations ~~2014~~2015
- the Accounts and Audit (Wales) Regulations 2014
- the Local Government (Accounts and Audit) Regulations (Northern Ireland) ~~2006~~2015
- the Local Authority Accounts (Scotland) Regulations 2014.

3.8.2.3 Regulations in England require authorities to prepare a Statement of Accounts prior to the commencement of the period for exercise of public rights. This should commence the first 10 working days of July.

3.8.2.4 Regulations in ~~England, Wales and~~ Northern Ireland and Wales require authorities

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to prepare a Statement of Accounts before 30 June following the reporting date.

3.8.25 In Scotland, the proper officer is required to submit the unaudited accounts to the appointed auditor by 30 June. The local authority or a committee of that authority whose remit includes audit or governance functions must meet to consider the unaudited Annual Accounts as submitted to the auditor by 31 August.

3.8.26 The responsible financial officer (proper officer in Scotland/chief financial officer in Northern Ireland) shall certify that the accounts give a true and fair view of the authority's financial position and financial performance. The Statement of Accounts shall reflect events after the reporting period up to the date the accounts were certified by the responsible financial officer, proper officer or chief financial officer.

3.8.27 In England, regulations require the Statement of Accounts published by 30 September to be approved by a committee or local government body and signed by the chair of the relevant approving committee or body.

3.8.28 In Northern Ireland, regulations require an authority to publish its audited Statement of Accounts by ~~31~~ 30 October ~~September~~ following the reporting period. ~~Where the audit has not been completed by this date, the authority shall publish its unaudited Statement of Accounts by this date and its audited Statement of Accounts as soon as practicable thereafter.~~

3.8.29 Regulations in Scotland require the local authority to aim to approve the Annual Accounts for signature no later than 30 September and to publish them no later than 31 October.

3.8.210 ~~In England and~~ Wales, regulations require the Statement of Accounts published by 30 September (and ~~in Wales~~ any subsequent Statement of Accounts issued following the conclusion of the audit) to be approved by a committee or local government body and signed by the chair of the relevant approving body.

~~Where an authority is unable to publish its audited financial statements on or before the statutory publication deadlines, the authorised for issue date is the date that the Statement of Accounts on which the auditors are to give their opinion is certified by the responsible financial officer.~~

3.8.2511 The published Statements of Accounts shall reflect events after the reporting period up to the date the accounts were authorised for issue. The date the accounts were authorised for issue shall be:

- Unaudited accounts – the date on which the responsible financial officer (proper officer in Scotland/chief financial officer in Northern Ireland) certifies that the accounts give a true and fair view of the authority's financial position and financial performance in advance of approval.
- Audited accounts – England, the authorised for issue date is the date the responsible financial officer re-certifies the financial statements before the committee, authority or body approves the financial statements in accordance

with the Accounts and Audit Regulations 2015. The re-certification by the responsible officer shall include a statement on the face of the Balance Sheet regarding the status of the accounts; examples are 'These financial statements replace the unaudited financial statements certified by [responsible financial officer] on [insert date]'; or 'The unaudited accounts were issued on [insert date] and the audited accounts were authorised for issue on [insert date]'.

- Audited accounts – Northern Ireland, the authorised for issue date is the date the responsible financial officer re-certifies the financial statements before the committee, or body approves the financial statements in accordance with the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015. The re-certification by the responsible officer shall include a statement on the face of the Balance Sheet regarding the status of the accounts; examples are 'These financial statements replace the unaudited financial statements certified by [chief financial officer] on [insert date]'; or 'The unaudited accounts were issued on [insert date] and the audited accounts were authorised for issue on [insert date]'.
- Audited accounts – Wales, the authorised for issue date is the date the responsible financial officer re-certifies the financial statements before the committee, authority or body approves the financial statements in accordance with the Accounts and Audit (Wales) Regulations 2014. The re-certification by the responsible officer shall include a statement on the face of the Balance Sheet regarding the status of the accounts; examples are 'These financial statements replace the unaudited financial statements certified by [responsible financial officer] on [insert date]'; or 'The unaudited accounts were issued on [insert date] and the audited accounts were authorised for issue on [insert date]'. Re-certification shall take place in accordance with the approval process in the Regulations.
- ~~(where opinion issued in advance of conclusion of audit (England, Wales and Northern Ireland only))—the date on which the responsible financial officer (chief financial officer in Northern Ireland) re-certifies that the accounts give a true and fair view of the authority's financial position and financial performance. This re-certification shall include a statement on the face of the Balance Sheet regarding the status of the accounts; examples are 'These financial statements replace the unaudited financial statements approved at the meeting of [insert committee name or body] on [insert date]'; 'These financial statements replace the unaudited financial statements certified by [responsible financial officer] on [insert date]'; or 'The unaudited accounts were issued on [insert date] and the audited accounts were authorised for issue on [insert date]'.~~
- ~~Audited accounts (where no opinion issued prior to the conclusion of audit)—the date on which the responsible financial officer (chief financial officer in Northern Ireland) re-certifies that the accounts give a true and fair view of the~~

~~authority's financial position and financial performance. This re-certification shall include a statement on the face of the Balance Sheet regarding the status of the accounts; examples are 'These financial statements replace the unaudited financial statements approved at the meeting of [insert committee name or body] on [insert date]' (Northern Ireland); 'These financial statements replace the unaudited financial statements certified by [responsible financial officer] on [insert date]' (England and Wales).~~

- ~~▪ Audited accounts (where opinion previously issued prior to the conclusion of audit (Wales and Northern Ireland only)) – the date on which the responsible financial officer (chief financial officer in Northern Ireland) re-certifies that the accounts give a true and fair view of the authority's financial position and financial performance. This re-certification shall include a statement on the face of the Balance Sheet that 'These financial statements replace the financial statements certified by me on [insert date]'.~~
- Audited Accounts (Scotland) – the authorised for issue date is the date on which the proper officer re-certifies the balance sheets after approval by the authority or relevant committee. The re-certification by the section 95 officer shall include a statement on the face of the Balance Sheet regarding the status of the accounts; examples are 'These financial statements replace the unaudited financial statements certified by [responsible financial officer] on [insert date]'; or 'The unaudited accounts were issued on [insert date] and the audited accounts were authorised for issue on [insert date]'.

### Events after the reporting period

[3.8.2.612](#) An authority shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting period.

[3.8.2.713](#) An authority shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting period.

### Going concern

[3.8.2.814](#) An authority shall prepare its financial statements on a going concern basis unless there is an intention by government that the services provided by the authority will no longer be provided. An intention by government to transfer services from one authority to another (for example, as part of local government reorganisation) does not negate the presumption that the authority is a going concern.

## 3.8.3 Statutory Accounting Requirements

[3.8.3.1](#) Financial statements are authorised for issue in accordance with legislative requirements (see paragraph 3.8.2.2).

### **3.8.4 Disclosure Requirements**

**3.8.4.1** An authority shall disclose the following:

- 1) The date when the financial statements were authorised for issue and who gave that authorisation. Where the statements may be amended following audit, the authority shall disclose that fact.
- 2) If an authority receives information after the reporting period, but before the financial statements are authorised for issue, about conditions that existed at the end of the reporting period, the authority shall update disclosures that relate to these conditions, in the light of the new information.
- 3) If non-adjusting events after the reporting date are material, non-disclosure could influence the decisions of users taken on the basis of the financial statements. Accordingly, an authority shall disclose the following for each material category of non-adjusting event after the reporting date:
  - a) the nature of the event, and
  - b) an estimate of its financial effect, or a statement that such an estimate cannot be made.
- 4) Where there is an intention by government to transfer services from the authority to another (for example, as part of local government reorganisation), the authority shall disclose that fact.

### **3.8.5 Statutory Disclosure Requirements**

**3.8.5.1** There are no statutory disclosure requirements in relation to events after the reporting period.

### **3.8.6 Changes since the ~~2014~~2015/15-16 Code**

**3.8.6.1** There ~~2015/16~~2016/17 -Code has been updated to reflect the requirements of the Accounts and Audit Regulations 2015 for English Authorities and the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015~~Local and~~ has rationalised the authorised for issue date guidance Authority Accounts (Scotland) Regulations 2014 for events after the reporting period.

## CHAPTER FOUR

# Non-current assets

### 4.1 PROPERTY, PLANT AND EQUIPMENT

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#### 4.1.3 Statutory Accounting Requirements

##### Housing Revenue Account – depreciation

- 4.1.33 The Housing Revenue Account Income and Expenditure Statement shall be charged with depreciation.
- 4.1.34 On a revalued asset, a transfer between the Revaluation Reserve and Capital Adjustment Account shall be carried out which represents the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's historical cost.
- 4.1.35 **England:** Depreciation is not a proper charge to the General Fund. However, for HRA non-dwellings, depreciation charged to the Surplus or Deficit on the Provision of Services in the Housing Revenue Account in England shall be charged in accordance with the requirements of *The Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012*.
- 4.1.36 To ensure compliance with the Accounts and Audit Regulations and *The Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012* requirements for the Major Repairs Reserve, depreciation for HRA dwellings charged to the Housing Revenue Account is subject to statutory provisions designed to specify the impact on the HRA (see part 2 of Appendix B for the legislative basis). The following entries are required or permitted in respect of the Major Repairs Reserve:
- The Major Repairs Reserve shall be credited, and Housing Revenue Account balances debited, with an amount equal to the depreciation charged to the HRA in accordance with this Code. This transfer is required to meet the requirements of the Accounts and Audit ~~(England)-Regulations 2014-2015~~ (Regulation 7(5)(a)). In order to neutralise the impact on the HRA of this entry, a corresponding transfer is also required where Housing Revenue Account balances are credited and the Capital Adjustment Account is debited. Both these transfers shall be reported in the Movement in Reserves Statement.
  - Where depreciation charges for HRA dwellings are greater than the notional Major Repairs Allowance (MRA), an amount equal to the difference is permitted to be transferred to the Housing Revenue Account from the Major

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Repairs Reserve and reported in the Movement in Reserves Statement. (Note that this transfer is permitted on a transitional basis as specified by *The Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012*.)

- A debit to the HRA equal to the amount that has been credited to the HRA for decent homes backlog funding and a corresponding credit to the Major Repairs Reserve in accordance with the requirements of *The Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012*.
- Where an authority funds capital expenditure on dwellings from the Major Repairs Reserve, this shall be accounted for by debiting the Major Repairs Reserve and crediting the Capital Adjustment Account, this transfer to be reported in the Movement in Reserves Statement.
- Where repayments of principal of any amounts borrowed, or repayments to meet any liability in respect of credit arrangements (other than any liability which, in accordance with proper practices, must be charged to a revenue account), are to be funded from the Major Repairs Reserve, this shall be accounted for by debiting the Major Repairs Reserve and crediting the Capital Adjustment Account, this transfer to be reported in the Movement in Reserves Statement.
- An authority is permitted by *The Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012* to make an additional voluntary credit transfer to the Major Repairs Reserve for an amount '*in excess of any charge for depreciation to its Major Repairs Reserve*'.

**4.1.37 Scotland:** Depreciation for HRA dwellings and non-dwellings charged to Surplus or Deficit on the Provision of Services are not proper charges to the Housing Revenue Account (see part 2 of Appendix B for the legislative basis). Such amounts shall be transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement and replaced with HRA loans fund principal, via a transfer from the Capital Adjustment Account.

**4.1.38 Wales:** Depreciation for HRA dwellings and non-dwellings charged to Surplus or Deficit on the Provision of Services are not proper charges to the Housing Revenue Account (see part 2 of Appendix B for the legislative basis). Such amounts shall be transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement and replaced with HRA Minimum Revenue Provision, via transfer.

## PART 1 – STATUTORY SOURCES

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### Great Britain

- 1 Local Government and Housing Act 1989 (*including HRA in England and Wales*)
- 2 Local Government Finance Act 1992 (*Council tax*)
- 3 Waste and Emissions Trading Act 2003 (*Landfill allowances*)

### England and Wales

- 1 Local Government Act 1972
- 2 Superannuation Act 1972 (*Pension funds*)
- 3 Local Government Finance Act 1988 (*General Fund and Collection Fund*)
- 4 ~~Audit Commission Act 1998~~ [The Local Government and Housing Act 1989](#)
- 5 School Standards and Framework Act 1998 (*School balances*)
- 6 Transport Act 2000
- 7 Education Act 2002 (*Dedicated Schools Grant*)
- 8 Local Government Act 2003, Part 1 (*Capital finance and accounts*)
- 9 Local Government Act 2003, Part IV (*Business Improvement Districts*)
- 10 Waste and Emissions Trading Act 2003
- 11 Public Audit (Wales) Act 2004
- 12 National Health Service Act 2006
- 13 National Health Service (Wales) Act 2006
- 14 Planning Act 2008 (*Community Infrastructure Levy*)
- 15 Business Rate Supplements Act 2009
- ~~16 The Accounts and Audit (England) Regulations 2011 (SI 2011/817)~~
- [15 The Local Audit and Accountability Act 2014](#)
- ~~17~~ [16 The Accounts and Audit \(Wales\) Regulations 2014 \(Welsh SI 2014/3362\)](#)
- ~~16~~ [17 The Accounts and Audit \(England\) Regulations 2014](#) ~~5 (SI 2014/5/817234)~~

### Scotland

- 1 Local Government (Scotland) Act 1973
- 2 Local Government (Scotland) Act 1975
- 3 Housing (Scotland) Act 1987 (*HRA*)
- 4 Local Government etc (Scotland) Act 1994
- 5 Public Finance and Accountability (Scotland) Act 2000

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- 6 Transport (Scotland) Act 2001
- 7 Community Care and Health (Scotland) Act 2002
- 8 Local Government in Scotland Act 2003
- 9 Transport (Scotland) Act 2005
- 10 The Local Authority Accounts (Scotland) Regulations 2014

### Northern Ireland

- 1 Local Government Act (Northern Ireland) 1972
- 2 The Local Government (Miscellaneous Provisions) (Northern Ireland) Orders  
1985  
1992  
1995
- 3 The Local Government (Northern Ireland) Order 2005
- ~~4 The Local Government (Accounts and Audit) Regulations (Northern Ireland)  
2006~~
- ~~54~~ The Local Government Companies (Best Value) Order (Northern Ireland) 2006
- ~~65~~ Local Government Finance Act (Northern Ireland) 2011
- ~~76~~ The Local Government (Capital Finance and Accounting) Regulations  
(Northern Ireland) 2011 (SRNI 2011/326)
- ~~47~~ The Local Government (Accounts and Audit) Regulations (Northern Ireland)  
2006<sup>15</sup> (SRNI 2015/106)