



Approved by LASAAC on 18 February 2020

# Minutes

Committee	Local Authority (Scotland) Accounts Advisory Committee	
Date	23 October 2019	
Time	14:00 pm	
Venue	CIPFA, 160 Dundee Street, Edinburgh	
Members	Gillian Woolman	Audit Scotland (Chair)
In Attendance	Paul O'Brien Nick Bennett Gary Devlin Jennifer Ogilvie* Fiona Kordiak Hazel Black Elise Black Tina Duncan Kirsty Flanagan* Ian Lorimer John Boyd	Audit Scotland Scott-Moncrieff Scott-Moncrieff West Dunbartonshire Council Audit Scotland Scottish Government Scottish Government Glasgow City Council Argyll and Bute Council Angus Council Grant Thornton
Apologies	Joseph McLachlan Hugh Dunn	East Ayrshire Council City of Edinburgh Council (Vice Chair)
Secretary	Gareth Davies	CIPFA

\* Participated by phone

The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) is funded by the Chartered Institute of Public Finance & Accountancy (CIPFA), Audit Scotland and the Scottish Government.

The members of LASAAC are volunteers representing the funding bodies or participating as appointed or co-opted members. LASAAC is primarily concerned with the development and promotion of proper accounting practices for Scottish local authorities. A key task in achieving this is LASAAC's contribution to the development of the 'Code of Practice on Local Authority Accounting in the United Kingdom' ('the Code').

LASAAC meetings are to be conducted in accordance with LASAAC's Terms of Reference as approved by LASAAC and ratified by the funding bodies.

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	Item	Action
<b>1</b>	<b>Item 1. Apologies</b>	
1.1	Joseph McLachlan, Hugh Dunn	
<b>2</b>	<b>Item 2. Minutes and Actions</b>	
2.1	<p>Amendments noted:</p> <p>Section 5.1 page 3 text to be amended to "Audit Scotland indicated that a review of good practices <b>regarding management commentaries in 18/19 annual accounts</b> was intended and this may inform future LASAAC work plans"</p> <p>Section 7.1 bullet 4 to be amended to: "• Auditor and preparer judgement..."</p> <p>Subject to the amendments the minutes were approved.</p> <p><a href="#">The approved minutes are to be uploaded to the website.</a></p>	1
2.2	<p>Action 0.1 Pensions statutory guidance: There is no flaw in the existing guidance, rather consolidation was the intention. Action to be deferred until CIPFA/LASAAC decisions on pensions treatment.</p> <p><a href="#">Pensions statutory guidance (0.1) to be removed from actions list.</a></p>	
2.3	<p>Action 0.3 LOBO conversions clarification of treatment of gains.</p> <p><a href="#">Review requirement for guidance in February 2020.</a></p>	
2.4	<p>Action 3 Authority preparer representative.</p> <p><a href="#">Secretary to circulate request for preparer representative. Ian Lorimer to raise request at DoF Section.</a></p>	2
2.5	<p>Actions 7 and 8: Letter to DoFS</p> <p><a href="#">Secretary to circulate the Chair's letter to LASAAC members.</a></p>	3
<b>3</b>	<b>Item 3. Membership &amp; Attendance</b>	
3.1	The papers were noted. Preparer representative to be sought (see 2.4 above).	
<b>4</b>	<b>Item 4. Workplan</b>	
4.1	<a href="#">Chair's letter to DoFs to be noted as a completed workplan item (stakeholder engagement/LASAAC profile).</a>	4
4.2	<a href="#">Report to be provided to next meeting to identify age and relevance of existing LASAAC guidance.</a>	5
4.3	<a href="#">Workplan Item B6 accounting for loans fund to be noted as resolved and complete.</a>	6

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4.4	<p>Item C4 Growth Deals. It was noted that some financial reporting challenges were arising regarding combined capital infrastructure.</p> <p>Audit Scotland review of completed 18/19 audits is anticipated to raise this as an issue for consideration.</p>	
4.5	<p>Item C5 Childhood abuse compensation. The position appears to be uncertain in some respects. It is challenging to track back the historic insurance cover and relevant arrangements &amp; responsibilities. The extent to which an obligation exists is a key question. Insurance archaeologists may be involved.</p>	
4.6	<p>Other workplan amendments:</p> <ul style="list-style-type: none"> <li>• Change 'watching brief' to 'horizon scanning'</li> <li>• Items to delete: C1 (local govt structure review); C6 (universal credit);</li> <li>• Combine C9 (Visitor Tax) &amp; C10 (Car Park Tax)</li> <li>• Combine C11 (Redmond Review) and C12 (FRC changes)</li> </ul>	7
4.7	<p>Redmond Review: The chair queried whether a LASAAC response to the Redmond Review on the English local government financial reporting and audit framework was desirable. Some questions were noted as specifically relating to financial reporting.</p> <p>Gillian Woolman, as Chair, to raise discussion of the Redmond Review at CIPFA/LASAAC.</p>	8
4.8	<p>Workplan C8 re Pensions Asset to be rephrased to include McCloud judgement and Guaranteed Minimum Pension (GMP) impact</p>	9
<b>5</b>	<b>Item 5. CIPFA/LASAAC</b>	
5.1	<p>CIPFA/LASAAC strategy and the discussion papers issued were discussed with topics arising including:</p> <ul style="list-style-type: none"> <li>• The relevance of early LASAAC work</li> <li>• The importance of clarity regarding who the users are</li> <li>• Reserves are a key focus of attention and questions; as well as business rates</li> <li>• Summary accounts would not necessarily reduce the work required eg due to the need to establish an evidence base</li> <li>• Specific disclosures were noted as being open to improvement (eg reduction in volume, clearer focus). Example included pensions asset details,</li> <li>• The Code may be able to apply better guidance or direction on how to apply the principles</li> <li>• FRAB and WGA requirements may affect what can be achieved</li> <li>• The time and pressure on all involved in the accounts process was noted.</li> </ul>	10

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	<b>Item</b>	<b>Action</b>
	<ul style="list-style-type: none"> <li>• Potential solutions should be sought.</li> <li>• Potentially CIPFA/LASAAC could develop a framework of principles regarding use of adaptations and interpretations</li> <li>• A sub-group could seek to identify improvements</li> <li>• Improvements are possible within the existing framework and through using plain English</li> </ul> <p>Gillian Woolman to lead group with Tina Duncan to consider improvement examples and process to support better focus in the accounts.</p>	
5.2	The remaining items in the paper on CIPFA/LASAAC were noted.	
<b>6</b>	<b>Item 6. IFRS 16 Leases Implementation</b>	
6.1	The paper was reviewed and noted.	
<b>7</b>	<b>Item 7. Review of LASAAC Guidance on Reserves</b>	
7.1	<p>LASAAC's objectives and expectations in reviewing and replacing the existing guidance on reserves were discussed:</p> <ul style="list-style-type: none"> <li>• There is generally no change to the statutory basis of the reserves</li> <li>• The majority of changes are anticipated to arise from necessary modifications and modernisation (eg using current Code terminology)</li> <li>• Numbered paragraphs to be used</li> <li>• Distinction to be made between reserves and statutory adjustment accounts</li> <li>• Potentially there may be further changes arising following CIPFA/LASAAC's strategy review</li> <li>• Hazel volunteered to join the review group</li> </ul> <p>Secretary to draft revised LASAAC guidance on reserves for the 18 February meeting in conjunction with review group members.</p>	11
<b>8</b>	<b>Item 8. Integration Joint Boards Update</b>	
8.1	<p>The following were noted as matters affecting IJBs:</p> <ul style="list-style-type: none"> <li>• Neil Cameron (Audit Scotland) attended the IJB CFO Section to provide feedback on 18/19 accounts noting: <ul style="list-style-type: none"> <li>○ Some consistency issues in management commentaries</li> <li>○ Potential for example accounts to be refreshed</li> <li>○ Weblinks to information required in the accounts by statute are not sufficient</li> <li>○ Risks and challenges presentation could be improved</li> </ul> </li> <li>• Ministerial Strategic Group: <ul style="list-style-type: none"> <li>○ Self evaluation templates are to be used</li> <li>○ Audit Scotland will review and plan some site visits</li> </ul> </li> <li>• Minimum staffing legislation: <ul style="list-style-type: none"> <li>○ Chief Nursing Team attended the IJB CFO Section</li> <li>○ There are implications for nursing staff in care homes</li> <li>○ Could affect cost of care calculator &amp; negotiations</li> </ul> </li> </ul>	

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	<b>Item</b>	<b>Action</b>
	<ul style="list-style-type: none"> <li>• Budget settlements: <ul style="list-style-type: none"> <li>○ Single year for health</li> <li>○ Brexit and pharmacy costs / supply are key issues</li> <li>○ Living wage is also impacting</li> <li>○ NHS &amp; LA partnership funding agreements are critical</li> <li>○ Set aside arrangements show some improvement but are still challenging</li> <li>○ Universal credit impact on kinship carers noted</li> </ul> </li> </ul> <p>In discussion it was concluded there is no requirement to update LASAAC guidance. Audit Scotland's good practice note on IJB accounts was considered to remain of relevance.</p>	
<b>9</b>	<b>Item 9 Audit Scotland Update</b>	
9.1	<ul style="list-style-type: none"> <li>• Audit completion for four local government bodies extended beyond 30 September</li> <li>• Two bodies had outstanding accounting issues</li> <li>• One council had inadequate accounting records due to ledger system implementation</li> <li>• McCloud pensions adjustments were generally made</li> <li>• Valuation issues were noted eg where reversion from external to internal valuations occurred and significant differences arose. Significant changes should ideally be subject to specific review to ensure that the difference is understood and explainable.</li> <li>• There could be more focus on confirming interim valuations (eg where a 5-year cycle is used). Potentially use of indexation to confirm or provide value changes could be considered. <ul style="list-style-type: none"> <li>○ Resource requirements for this would require assessment.</li> <li>○ The materiality of asset value changes was suggested as being open to debate.</li> </ul> </li> <li>• Planning guidance for 19/20 has been issued</li> <li>• Auditors to assess risk of fraud and corruption in procurement. A 'red flags' guide has been developed to assist in this.</li> <li>• More audit work on statutory performance indicators is anticipated</li> <li>• Code of audit practice to be reviewed. Public consultation expected early 2020.</li> <li>• Review of IJB best value review arrangements to be consulted on.</li> <li>• Audit Scotland responding to: <ul style="list-style-type: none"> <li>○ Redmond Review</li> <li>○ FReM consultation</li> <li>○ NAO Code of Audit Practice</li> </ul> </li> <li>• Financial powers paper and the impact of income tax reconciliations (adjusts re prior year income tax receipts) noted.</li> <li>• Local government financial overview report is due in December.</li> </ul>	
<b>10</b>	<b>Item 10. Scottish Government Update</b>	
10.1	Potentially the Scottish Government will propose a single year budget, rather than providing multi-year planning indications. The budget date will	

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	<b>Item</b>	<b>Action</b>										
	depend on the UK government's budget date.											
<b>11</b>	<b>Item 11 CIPFA Update</b>											
11.1	<ul style="list-style-type: none"> <li>The CIPFA Financial Management Code is to be issued</li> </ul>											
<b>12</b>	<b>Dates of next meetings</b>											
12.1	<p>All at CIPFA, Edinburgh, 160 Dundee Street.</p> <table border="1"> <thead> <tr> <th><b>LASAAC Meeting</b></th> <th><b>CIPFA-LASAAC</b></th> </tr> </thead> <tbody> <tr> <td>Tuesday 18 February 2020 2 pm</td> <td>6/3/20 London</td> </tr> <tr> <td>Tuesday 19 May 2020 10 am</td> <td>5/6/20 Edinburgh</td> </tr> <tr> <td>Tuesday 18 August 2020 2 pm</td> <td>N/A</td> </tr> <tr> <td>Tuesday 20 October 2020 2pm</td> <td>3/11/20 London</td> </tr> </tbody> </table>	<b>LASAAC Meeting</b>	<b>CIPFA-LASAAC</b>	Tuesday 18 February 2020 2 pm	6/3/20 London	Tuesday 19 May 2020 10 am	5/6/20 Edinburgh	Tuesday 18 August 2020 2 pm	N/A	Tuesday 20 October 2020 2pm	3/11/20 London	
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