



Approved by LASAAC on 24 May 2018

minutes

Committee	Local Authority (Scotland) Accounts Advisory Committee	
Date	13 February 2018	
Time	14:00 pm	
Venue	CIPFA, 160 Dundee Street, Edinburgh	
Members In Attendance	Ian Lorimer Gillian Woolman Hugh Dunn Kirsty Flanagan* Paul O'Brien Hazel Black Nick Bennett Gary Devlin Darren McDowall	Angus Council (Chair) Audit Scotland (Vice Chair) City of Edinburgh Council Argyll and Bute Council Audit Scotland Scottish Government Scott-Moncrieff Scott-Moncrieff North Lanarkshire Council
	*joined via conference call	
Apologies	Fiona Kordiak Elise Black Stephen Reid George Murphy Joseph MacLachlan Lesley Bairden Tina Duncan	Audit Scotland Scottish Government EY Stirling Council East Ayrshire Council East Renfrewshire Integration Joint Board Glasgow City Council
Secretary	Gareth Davies	CIPFA

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
1	Apologies for absence	
1.1	Apologies were received from Fiona Kordiak, Elise Black, Stephen Reid, George Murphy, Joseph MacLachlan, Lesley Bairden, Tina Duncan	
2	Declarations of interest	
2.1	None	
3	Minutes of previous meeting and matters arising	
3.1	The minutes were approved.	1
3.2	Matters arising D. Yule and G. Glover have been thanked for their service on LASAAC.	
4	Item 3 Membership	
4.1	Future meetings are to avoid school holidays where possible, but still be scheduled in advance of CIPFA-LASAAC meetings.	2
4.2	The attendance record was noted.	
5	Item 4 LASAAC Terms of Reference	
5.1	Funding body representatives confirmed that the changes accorded with their requests. The Terms of Reference were noted.	
6	Item 5. Work Plan 2017/18	
6.1	The Insurance Accounting questionnaire has been issued. The project is to be noted in the work plan.	3
6.2	The implications of a Section 114 Notice in England for local government annual accounts was discussed. The Going Concern basis was previously discussed by CIPFA-LASAAC with the wording clarified for the 2017/18 Code. A project is to be added to the 2018/19 workplan, subject to prioritisation of resources.	4
6.3	The removal of NDR relief for new ALEOs was noted.	
6.4	The Scottish Government may review the statutory adjustments currently in place relating to Investment Property.	
7	Item 6. CIPFA-LASAAC Code Board	
7.1	The LASAAC secretary noted that CIPFA had restructured, with responsibilities now assigned on a UK-wide basis. This will also apply to CIPFA-LASAAC support. The February meeting is to be re-scheduled.	

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7.2	<p>The anticipated annual review of CIPFA-LASAAC operation was discussed:</p> <ol style="list-style-type: none"> 1 The support from the CIPFA-LASAAC secretariat was greatly valued 2 The Code consultation responses are considered in detail, with significant support and transparency from the CIPFA-LASAAC secretary, so that different views are considered. 3 The change from FRC oversight (SORP) to the FRAB (IFRS based Code) has meant that a key focus has been on the technical requirements of IFRS standards. 4 An increased focus on the different context for the public sector and the requirement for adaptations and interpretations could be supported. 5 It was suggested that CIPFA-LASAAC can more specifically increase the emphasis on supporting practitioners and auditors by explaining the public sector context and rationale for proposals 6 CIPFA-LASAAC changes to further strengthen stakeholder engagement are anticipated and time should be allowed for these to develop 7 Early attention to stakeholder feedback may help to avoid late amendment or withdrawal of proposed treatments 8 FRAB feedback and commentary on CIPFA-LASAAC proposals could helpfully be more explicitly communicated to CIPFA-LASAAC members. 9 Open discussion of all stakeholder input to the development of the UK wide Code of Practice, including matters raised by LASAAC, is regarded as desirable in supporting the fulfilment of CIPFA-LASAAC's remit. <p>The LASAAC secretary is to liaise with the CIPFA-LASAAC secretariat to support discussion as part of the annual review. The LASAAC Chair will also seek an informal discussion with CIPFA's Head of Policy & Technical to better understand the future strategic direction.</p>	5,6
7.3	<p>IFRS 16 Leases proposals were discussed. The deferral of the previously expected CIPFA-LASAAC consultation paper, and the delay in a similar FReM consultation paper, was noted. An IPSASB exposure draft on public sector implementation, which supports a 'mirror' approach for both lessors and lessees, was also noted.</p> <p>CIPFA-LASAAC is anticipated to seek some form of Impact Assessment exercise to provide additional evidence. This does not rule out a simultaneous formal consultation process.</p>	
8	Item 6 (ii). Statutory Adjustments Presentation	
8.1	<p><u>Proposed LASAAC Guidance on Statutory Adjustments Presentation:</u></p> <p>The establishment of the Revaluation Reserve with a zero balance starting from 1/4/07 was discussed. The materiality of any historic revaluation balances still included in the Capital Adjustment Account as at today's date</p>	7

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	<p>was questioned.</p> <p>It was agreed that cross-reference to a disclosure note to explain the 'post 1/4/07' nature of the Revaluation Reserve, and the CAA, was appropriate.</p> <p>LASAAC agreed to proceed with the development of advisory (non-mandatory) guidance. A consultation draft will be issued, with authorities encouraged to consider adoption or piloting in 2017/18 accounts if possible.</p>	
8.2	<p><u>Identification of Statutory Adjustments</u></p> <p>Discussion included consideration of the extent to which the presentation of statutory adjustments in local government accounts should reflect the differences from normal private sector accounting practices as well as differences from the requirements of the accounting standards.</p> <p>LASAAC will request that the identification of the revaluation element of depreciation and impairment as either an accounting entry or a statutory adjustment is raised in the Code 19/20 consultation process as a UK wide matter.</p> <p>LASAAC will request that the identification of the re-measurement of the defined benefit liability(asset) as either an accounting entry or a statutory adjustment is raised in the Code 19/20 consultation process as a UK wide matter.</p> <p>LASAAC will also raise the latter item as part of the IFRS post-implementation review.</p>	8,9
8.3	<p><u>Transfers to/from Statutory Reserves</u></p> <p>LASAAC will request that lines, for Scotland only, for 'Transfers to/from other statutory reserves (Scotland)', are introduced to the Code 19/20 for the MiRS and the EFA. As these are required for a true and fair view presentation to reflect Scottish legislation this is not considered to require consultation.</p>	10
9	Item 7. Annual Accounts 17/18 – Presentation of CIES (Internal Transactions)	
9.1	<p>The presentation options regarding the treatment of internal transactions for 2017/18 was discussed. It was suggested that the 3 main options were:</p> <ol style="list-style-type: none"> 1 Comprehensive Income and Expenditure Statement (CIES) includes internal transactions 2 CIES includes internal transactions but also has a line for 'elimination of internal transactions'. It was suggested that this required a subtotal before this line to meet the requirements of IFRS 8 expressed in the Code. 	11

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	<p>3 CIES excludes internal transactions but provides the detail required for IFRS requirements in another note [see Code 17/18 para 3.4.2.91]</p> <p>LASAAC will issue advisory guidance outlining the options above to encourage presentation options which support preparation for 2018/19. In 2018/19 accounts internal transactions will not be permitted for inclusion in the CIES but can be eliminated in the Expenditure and Funding Analysis.</p>	
10	Item 8. Integration of Health & Social Care – 17/18 Accounts	
10.1	<p>It was considered that most of the issues arising from Audit Scotland's current review of 16/17 accounts were compliance matters.</p> <p>The existing LASAAC guidance will be circulated to LASAAC members for review and minor updates. The original issue date will be emphasised. A cross reference will be made to Audit Scotland's 'Good Practice' paper following the review of 16/17 accounts.</p> <p>Since no significant changes are proposed no wider consultation is required.</p> <p><Hugh Dunn left the meeting></p>	12
11	Item 9. IFRS 9 Financial Instruments – Statutory Mitigation	
11.1	<p>The Scottish Government is undertaking a review of the statutory adjustments for the existing financial instrument requirements. A letter will shortly be issued to councils.</p> <p>In issuing the letter the Scottish Government will request initial feedback on the appetite for development of statutory adjustments for the new IFRS 9 Financial Instruments requirements affecting 2018/19.</p> <p>Where feedback indicates this is desired, a quantification exercise will be required to proceed later in the year to provide an evidence base to support the request.</p> <p>Any statutory guidance mitigation would be anticipated to be issued during 18/19, with the ultimate deadline being 31/3/19.</p>	13
12	Item 10. Trade Union Disclosures	
12.1	<p>The lack of definition of the term 'annual report' in the regulations was discussed.</p> <p>The matter will be referred to CIPFA-LASAAC.</p> <p><Ian Lorimer left the meeting></p>	14
13	Item 11. Audit Scotland Update	
13.1	The rationale for an increase in audit fees for Integration Joint Boards was noted.	

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	<p>The Controller of Audit letter to council Chief Executives noted the importance of ensuring the accounts were appropriately signed.</p> <p>Draft audit plans have been issued.</p> <p>The Local Government financial overview report was published in November, accompanied by supplements on the LGPS and HRA. A March 2018 report is due to be published.</p> <p>A number of Best Value reports are due for completion. A BV post implementation review has been undertaken.</p>	
13	Item 12. Scottish Government Update	
13.1	<p>The English move towards faster closure of the accounts was discussed. There are no immediate plans for a similar approach in Scotland.</p> <p>Local government finance statistics are due for issue.</p> <p>Updated statutory guidance relating to LGPS Annual Report and Accounts; Capital Grants; and untaken annual leave have all been approved by the Minister.</p> <p>In addition to financial instruments (noted above) updating of the employer pension obligations statutory guidance is also planned.</p>	
14	Item 13. CIPFA and LAAP Update	
14.1	<p>The contents of the CIPFA year-end bulletin were noted and briefly discussed. CIPFA Scotland's annual conference is taking place on 22-23 March in Glasgow.</p>	
15	AOCB. CIPFA and LAAP Update	
15.1	<p>Due to time limitations, LASAAC did not call the CIPFA-LASAAC secretary, but expressed their thanks for the offer and availability of this additional support.</p>	
16	Dates of next meetings	
16.1	<p>All at CIPFA, Edinburgh, 160 Dundee Street</p> <p>Thursday, 24 May 2018, 14:00</p> <p>Thursday, 23 August 2018, 14:00</p>	

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