

POLICY NOTE

THE LOCAL AUTHORITY ACCOUNTS (SCOTLAND) REGULATIONS 2014

SSI 2014/200

The above instrument was made in exercise of the powers conferred by section 105(1) of The Local Government (Scotland) Act 1973. The instrument is subject to negative procedure.

Policy Objectives

This instrument is a replacement for existing local authority accounts regulations – The Local Authority Accounts (Scotland) Regulations 1985 (the 1985 regulations). Local authorities asked the Scottish Government to review these regulations with a view to bringing them up to date to reflect changes in accounting and other best practices since 1985.

The new regulations strengthen the governance aspects of the local authority Annual Accounts process and require elected members to meet formally to consider the Annual Accounts before they approve those accounts for signature. In considering the accounts elected members are required to have regard to any report on those accounts by the proper officer (that person having responsibility for the financial affairs of the authority by virtue of section 95 of The Local Government (Scotland) Act 1973) or the appointed auditor. The current regulations require the audited accounts to be laid before a meeting of the authority.

Specifically, two further new measures strengthen governance. The regulations require an annual review of the effectiveness of an authority's system of internal control and for the authority to approve an annual governance statement. The regulations also require a local authority to operate a professional and objective internal auditing service. Whilst these are new statutory requirements most, if not all, local authorities already individually operate an internal auditing service and the majority already undertake an annual review of their governance arrangements and publish their annual governance statement as part of their statutory accounts in accordance with best practice as set out in *Delivering Good Governance in Local Government: Framework* published by CIPFA and SOLACE. The regulations endorse existing best practice.

To enhance transparency the audited Annual Accounts of a local authority must be published, including on the website of the local authority. The 1985 regulations only require that a certified abstract of accounts be available for public inspection “at a convenient place or places”, and available for sale.

Section 106 of The Local Government (Scotland) Act 1973 extends the account and audit provisions set out in section 93 to 105 of that Act to local authority charities. The 1985 regulations have never been modified to recognise the separate legislative provision for charities to prepare a statement of account under *The Charities and Trustee Investment (Scotland) Act 2005*. The new regulations make separate

provision for local authority registered charities to recognise the provisions made by the charities legislation.

Consultation

A working group was established to review the existing legal requirements and consider what changes should be made. Following this work, and to ensure compliance with the requirements of section 105(2) of the Local Government (Scotland) Act 1973, the following bodies were consulted: Scottish Local Authorities; Accounts Commission; Audit Scotland; Convention of Scottish Local Authorities (COSLA); The Chartered Institute of Public Finance and Accountancy (CIPFA); The Local Authority (Scotland) Accounts Advisory Committee (LASAAC); Institute of Chartered Accountants of Scotland (ICAS). The consultation took place from 4 July 2013 to 4 October 2013.

The papers and minutes of the review group, the consultation and a summary of the consultation responses have been published on the Local Authority Accounting section of the Scottish Government website:

<http://www.scotland.gov.uk/Topics/Government/local-government/17999/LAacc>

The Office of the Scottish Charity Regulator (OSCR) was separately consulted on the modifications made for section 106 local authority registered charities.

Impact Assessments

An equality impact assessment has not been completed. The instrument replaces The Local Authority Accounts (Scotland) Regulations 1985 and sets out the regulatory process for the content and for the approval of the statutory accounts of a local authority. As such there are no equality impact issues.

The Minister for Local Government and Planning confirms that no Business and Regulatory Impact Assessment (BRIA) is required as the instrument has no significant financial effects on the Scottish Government, local government or on business.

Scottish Government
Local Government and Communities Directorate
3 July 2014