

**Department of the Environment:
The proposed Revocation and
Remaking of the Local Government
(Accounts and Audit) Regulations
(Northern Ireland) 2006**

A Submission by:

**The Chartered Institute of Public
Finance and Accountancy**

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CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

Further information about CIPFA can be obtained at www.cipfa.org

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1. EXECUTIVE SUMMARY

- 1.1 CIPFA welcomes the opportunity to respond to the Department of the Environment consultation on the revocation and remaking of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006.
- 1.2 CIPFA has a close working relationship with local government across the UK and in regard to financial accounting and financial management, is the standard setter for the local government sector¹. A core aim of CIPFA as an Institute is to promote the highest standards of public financial management and good governance and we consider that the legislative framework around financial management in the sector should promote best practice and high performance in public services at all times.
- 1.3 In considering the draft regulations CIPFA have identified four areas for consideration as follows:

1.3.1 Definition of a smaller local government body

Within section 2 of the draft regulations the definition of a smaller local government body includes the following:

A local government body which –

- (i) Is an established body, which meets the qualifying condition for the year concerned or for either of the two preceding years;
- (ii) Is a newly established body, which meets the qualifying condition for its first or second year.

CIPFA agrees with the principles behind splitting and defining local government bodies in Northern Ireland into large and small, however the definition above would result in the position where a smaller body that does not meet the qualifying condition in the current year, but does in either of the previous two years could still interpret the regulations as providing for receipts and payments accounts to be produced. This is also reflected in section 9, paragraph 2 concerning the published accounts. In order to avoid any ambiguity, CIPFA would suggest re-wording the above definition to replace the word 'or' with 'and'. The definition in (i) above would therefore read as follows:

- (i) Is an established body, which meets the qualifying condition for the year concerned and for either of the two preceding years;

CIPFA would also recommend that if the re-wording of (i) above is adopted, paragraph (ii) above should also be re-worded to state:

- (ii) Is a newly established body, which meets the qualifying condition for its first year.

¹ CIPFA/LASAAC - Code of Practice on Local Authority Accounting

We see no reason to include in the statement 'or second year' as this is covered by paragraph (i). The same proposed re-wording would also need to be reflected in section 9 (statement of accounts) of the draft regulations.

1.3.2 Accounts completion and Publication Date

Within section 8 (paragraph 3) for larger local government bodies and section 10 (paragraph 3) for smaller local government bodies, the requirement is for signed and approved statements of accounts to be completed and published no later than the 31 October in the year immediately following the end of the year to which the statements relate.

CIPFA would recommend consideration of bringing this date forward for the following reasons:

- (i) Statutory practice² elsewhere in the UK within local government is the 30th September. Moving forward to this date would bring Northern Ireland into line with practice elsewhere.
- (ii) There is a move generally within the public sector for faster closing and if HM Treasury were to bring forward dates for completion of Whole of Government Accounts for example, local government in Northern Ireland could be adversely impacted by the delay in final closing.

1.3.3 Receipts and Payments Accounting

Section 9, paragraph 2 of the proposed regulation allows for a smaller local government body to be able to produce receipts and payments based accounts, subject to meeting all the qualifying criteria. CIPFA fully support the development of accruals based accounting across the whole of the public sector³ and therefore does not support this measure. The Institutes view is that the quality of financial management and governance information is significantly enhanced by the consistent application of accrual based accounting based on International Standards.

1.3.4 Role of the Chief Financial Officer

Whilst not a direct question in the Departments consultation on the Accounts and Audit Regulations, CIPFA would like to raise the importance of the role of the Chief Financial Officer in local government and particularly in regards to the responsibilities for the preparation and completion of the Accounts and Audit work. CIPFA's statement on the role of the Chief Financial Officer⁴ contains five core principles, one of which (principle 5) is that the Chief Financial Officer must be professionally qualified and suitably experienced.

² The local Authority Accounts (Scotland) Regulations 2014 – Section 10.1.b; Accounts and Audit (England) Regulations 2011 – Sections 8 and 13

³ CIPFA Manifesto 2015 - Things can only get worse, a call for sustainable public finance

⁴ CIPFA - The role of the Chief Financial Officer in Local Government

Currently there is no formal statutory requirement in Northern Ireland for this person to be a member of a professional accountancy body however; we would strongly suggest that this is recognised as best practice elsewhere. Given that reform will create larger bodies with increased responsibilities, CIPFA believes that the role of the Chief Financial Officer in Northern Ireland local government bodies will become more important over the coming period and the Department should address the position where these principles are not fully followed in the sector through statutory regulation.

2. Formal Consultation Responses

2.1 The following tables provide formal responses to the question in the Department's consultation, in the format contained within the consultation document dated 20th October 2014.

The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015			
Part 1: Introductory			
	Question	Response	Comments
1.	Do you agree with the definitions of larger and smaller local government body? If not please provide reasons and any suggested alternative.	No	As noted above in the executive summary, CIPFA suggests some minor re-wording to avoid any ambiguity over the format of accounts.
2.	Do you agree that the "qualifying condition" should be an amount directed by the Department and should sit outside the Regulations?	Yes	CIPFA is supportive of this approach in order to take account of changes in circumstances and to provide flexibility.
3.	Any other comments?	None	

Part 2: Financial Management and Internal Control			
	Question	Response	Comments
4.	Do you agree that a local government body or committee must approve an annual governance statement (as opposed to a statement on internal control)?	Yes	This measure brings local government bodies here into line with the rest of the public sector.
5.	Do you agree that a local government body must undertake an adequate and effective internal audit of its accounting records and of its "system of risk management, internal control and governance processes" (as opposed to "system of internal control")?	Yes	CIPFA would wish the Department to note its recommendations in regards to the role, qualifications and experience of the Chief Financial Officer.
6.	Any other comments?	None	

Part 3: Published Accounts and Audit – Larger local government body			
	Question	Response	Comments
7.	Do you agree that a local government body must include a separate remuneration report, in a form directed by the Department, within the statement of accounts?	Yes	<p>This measure brings Northern Ireland into line with current practice elsewhere in the UK including the publication of senior officer remuneration.</p> <p>Transparency and openness of remuneration reporting is a topical issue in Northern Ireland. CIPFA fully supports the need for public sector officials to be open to public scrutiny and remuneration arrangements to be clear, open and transparent.</p>
8.	Do you agree that only the Chief Financial Officer has to sign, date and certify that the unaudited accounts present a true and fair view of the financial position at the end of the year to which it relates?	Yes	<p>This measure brings Northern Ireland into line with rest of UK local government, i.e.:</p> <p>The Accounts and Audit (England) Regulations 2011 - (section 8)</p>
9.	Do you agree that the unaudited accounts should be signed, dated and certified by 30 June?	Yes	
10.	Do you agree that, where the Chief Financial Officer is unable to sign, date and certify the statement of accounts owing to absence or illness, a person nominated by the Chief Financial Officer should sign, date and certify the statement of accounts?	Yes	
11.	Do you agree with the date of 31 October for finalisation of the statement of accounts?	No	Please see our executive summary above and the points raised under 1.3.2
12.	Any other comments?	None	

Part 4: Published Accounts and Audit – Smaller local government body			
	Question	Response	Comments
13.	Do you agree that a smaller local government body must prepare a statement of accounts in the form directed by the Department?	Yes	
14.	Do you agree that a smaller local government body with gross income or expenditure not more than an amount directed by the Department for the year or for either of the two immediately preceding years must prepare a receipts and payments statement for that year in the form directed by the Department?	No	<p>We would draw the Departments attention to the points raised in 1.3.1 in the executive summary above.</p> <p>CIPFA would also note (see point 1.3.3 above) that while we are supportive of an approach where smaller bodies can prepare a more streamlined and simplified form of accounts. CIPFA would recommend that in all cases, accruals based accounts are prepared. This would facilitate any group accounting requirements encountered by local government bodies and also facilitate completion of Whole of Government Accounts on a consistent base.</p> <p>The Department currently has the ability through accounts direction to determine the form and content of the financial statements for local government bodies.</p>
15.	Any other comments?	None	

Part 5: Inspection and notice procedure			
	Question	Response	Comments
16.	Do you agree that no substantial changes need to be made to the existing Regulations in respect of inspection and notice procedures?	Yes	
17.	Any other comments?	None	



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