

## 1.1 OBJECTIVE OF THE CODE

---

- 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 and transactions 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 2003](#) [2011](#) and for Wales by the Accounts and Audit (Wales) Regulations 2005.
  - the audit of those accounts undertaken in accordance with the statutory framework established by section 5 of the Audit Commission Act 1998 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:
- Statements of Accounts prepared under the statutory framework established by the Local Authority Accounts (Scotland) Regulations 1985.
  - 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.
- 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 to give a ‘true and fair’ view of the financial position and transactions of the authority, which may mean the inclusion of additional information in accordance with the provisions of the Code.
- 1.1.6 The Code prescribes the accounting treatment and disclosures for all normal transactions of a local authority, and is based on the following hierarchy of standards:
- International Financial Reporting Standards (IFRSs) (including International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) interpretations) as adopted by the European Union (ie EU-adopted IFRS).
  - International Public Sector Accounting Standards (IPSASs).
  - UK Generally Accepted Accounting Practice (GAAP) (Financial Reporting Standards (FRSs), Statements of Standard Accounting Practice (SSAPs) and Urgent Issues Task

Force (UITF) Abstracts).

On the few occasions where the CIPFA/LASAAC Code Board considered it appropriate to adapt IFRSs, the accounting treatment in those standards lower in the hierarchy was used to inform decisions regarding the appropriate treatment to be adopted.

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 by UK GAAP, the requirements of the relevant IAS, IFRS, SIC Interpretation, IFRIC Interpretation, IPSAS or UK GAAP shall be followed.

- 1.1.7 The Code involves interpretations and adaptations of International Financial Reporting Standards and other pronouncements by the International Accounting Standards Board (IASB). These will be clearly identified in 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 any interpretations and adaptations of International Financial Reporting Standards contained in the Code are in line with the guidance contained in International Public Sector Accounting Standards, or in line with UK GAAP, authorities shall refer to those standards for further guidance.

## 1.2 APPLICABILITY OF THE CODE

---

- 1.2.1 This Code has effect for financial years commencing on or after 1 April 2011.
- 1.2.2 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 the Accounts and Audit Regulations under section 27 of the Audit Commission Act 1998 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.
- 1.2.3 In practice this definition includes principal councils, police authorities, fire and rescue authorities, and the Greater London Authority and its functional bodies. 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.

- 1.2.4 [The Accounts and Audit \(England\) Regulations 2011 introduce a new threshold for](#)

smaller relevant bodies below which a statement of accounts is not required to be prepared. However, these bodies are permitted by legislation to follow the requirements for larger relevant bodies in relation to the statement of accounts which might mean the requirements of the 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 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.

- 1.2.45** 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, 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. Where a Common Good Fund (or other trust fund) is a registered charity, it should follow the financial reporting requirements of the Office of the Scottish Charity Regulator. Where the fund is not a registered charity, it should follow the requirements of this Code.
- 1.2.56** In Northern Ireland, district councils are required to prepare Statements of Accounts under Regulation 4 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 and the Code is part of the proper practices governing their preparation.
- 1.2.67** This is the second 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 2010/11 Code. These changes are set out at the end of each section.
- 1.2.78** Proper practice, as defined by regulations, also includes the requirements of other codes of practice, such as the *Service Reporting Code of Practice (SeRCOP)*. In preparing their accounts, authorities shall comply with the requirements of these other codes of practice as well as the requirements of this Code.

## 1.6 PUBLICATION

---

- 1.6.1 The Statement of Accounts 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 and approve its accounts by 30 June and to publish them by 30 September.~~ In England 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 authority and the Controller of Audit by 30 June. The audited accounts must be laid before a meeting of the authority and published within two months of receipt of the audit certificate. In Northern Ireland, the requirement is to prepare and approve accounts by 30 June and to publish them by 31 October.

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

---

### 3.7.1 Introduction

- 3.7.1.1 Regulation 4(2) of the Accounts and Audit (England) Regulations 2003~~2011~~, regulation 4(2) of the Accounts and Audit (Wales) Regulations 2005 and regulation 2A of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 require English, Welsh and Northern Irish authorities 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 Statement of Accounts. Regulation 4(3) of the Accounts and Audit (England) Regulations 2011 now requires that a local authority in England prepare an annual governance statement. Scottish local authorities are not subject to such statutory requirements but may adopt them voluntarily.

### 3.7.6 Changes since the 2010/11 Code

- 3.7.6.1 The 2011/12 Code includes a new requirement to either confirm that 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 Application Note to *Delivering Good Governance in Local Government: Framework*; or, where they do not, an explanation of how the authority's financial management arrangements deliver the same impact.
- 3.7.6.2 The 2011/12 Code Update (and the 2012/13 Code) recognises that the Accounts and Audit Regulations in England now require that English local authorities prepare an annual governance statement.

## 3.8 EVENTS AFTER THE REPORTING PERIOD

---

### 3.8.2 Accounting Requirements

#### 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 ~~2003-2011~~ [\(England\)](#)
- the Accounts and Audit (Wales) Regulations 2005
- the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006
- the Local Authority Accounts (Scotland) Regulations 1985.

3.8.2.3 Regulations in England, Wales and Northern Ireland require authorities to prepare a Statement of Accounts before 30 June following the reporting date. In Scotland, regulations require a Statement of Accounts to be presented to the auditor by 30 June following the reporting date. 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. Except [in England and in](#) Wales (see paragraph 3.8.2.4), regulations require this Statement of Accounts to be approved by members and signed by the chair of the relevant approving body.

3.8.2.4 Regulations require an authority to publish its audited Statement of Accounts by 30 September (31 October in Northern Ireland) 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. In [England and](#) Wales, regulations require the Statement of Accounts published by 30 September (and any subsequent Statement of Accounts issued following the conclusion of the audit [\(not England\)](#)) to be approved by a committee or local government body and signed by the chair of the relevant approving body.

3.8.2.5 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 (England, Wales and Northern Ireland) or issue (Scotland).
- Audited accounts (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 (proper officer in Scotland/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]” (~~England and~~ Northern Ireland); “These financial statements replace the unaudited financial statements certified by [responsible financial officer] on [insert date]” (England and Wales); “These financial statements replace the unaudited financial statements issued on [insert date]” (Scotland); or “The unaudited accounts were issued on [insert date] and the audited accounts were authorised for issue on [insert date]”.
- Audited accounts (where opinion previously issued prior to the 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 that “These financial statements replace the financial statements certified by me on [insert date]”.

**3.8.2.6** Although not required by regulations, it is good practice for the Statement of Accounts to be re-approved by the same committee or body that originally approved the Statement of Accounts, and for the chair to sign the amended Statement of Accounts.

### **3.8.6 Changes since the 2010/11 Code**

**3.8.6.1** As a result of changes to the Accounts and Audit Regulations in Wales issued since the publication of the 2010/11 Code, approval of the Statement of Accounts by a committee or local government body in Wales is required prior to the Statement of Accounts being published by 30 September. Approval is also required where any subsequent Statements of Accounts are issued following the conclusion of the audit. Previously a committee or local government body in Wales was required to approve the Statement of Accounts by 30 June. The 2011/12 Code incorporates these amendments for the first

time; however the revised regulations apply from 1 April 2009.

3.8.6.2 As a result of the new Accounts and Audit (England) Regulations 2011 issued since the publication of the 2011/12 Code, approval of the Statement of Accounts by a committee or local government body in England is required prior to the Statement of Accounts being published by 30 September. Previously a committee or local government body in England was required to approve the Statement of Accounts by 30 June. This requirement has been incorporated as an Update to the 2011/12 Code (and in the 2012/13 Code). It should be noted that the Accounts and Audit (England) Regulations came into force from 31 March 2011.

# APPENDIX B

## Sources and legislation

### PART 1 – STATUTORY SOURCES

---

#### 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
- 5 School Standards and Framework Act 1998 (*School balances*)
- 6 Transport Act 2000
- 7 Education Act 2002 (*Dedicated Schools Grant*)
- 8 ~~Accounts and Audit Regulations (England) 2003 (SI 2003/533)~~
- 9—Local Government Act 2003, Part 1 (*Capital finance and accounts*)
- ~~109~~ Local Government Act 2003, Part IV (*Business Improvement Districts*)
- ~~110~~ The Waste and Emissions Trading Act 2003
- ~~121~~ Public Audit (Wales) Act 2004
- ~~132~~ Accounts and Audit (Wales) Regulations 2005 (Welsh SI 2005/368)
- ~~143~~ National Health Service Act 2006
- ~~154~~ Planning Act 2008 (*Community Infrastructure Levy*)
- ~~165~~ Business Rate Supplements Act 2009
- 16 [Accounts and Audit \(England\) Regulations 2011 \(SI 2011/817\)](#)

#### Scotland

- 1 Local Government (Scotland) Act 1973
- 2 Local Government (Scotland) Act 1975
- 3 Local Authority Accounts (Scotland) Regulations 1985
- 4 Housing (Scotland) Act 1987 (*HRA*)

- 5 Local Government etc (Scotland) Act 1994
- 6 Public Finance and Accountability (Scotland) Act 2000
- 7 Transport (Scotland) Act 2001
- 8 Community Care and Health (Scotland) Act 2002
- 9 Local Government in Scotland Act 2003
- 10 Transport (Scotland) Act 2005

### **Northern Ireland**

- 1 Local Government Act (Northern Ireland) 1972
- 2 Local Government (Miscellaneous Provisions) (Northern Ireland) Orders  
1985  
1992  
1995
- 3 The Local Government (Northern Ireland) Order 2005
- 4 Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006
- 5 Local Government Companies (Best Value) Order (Northern Ireland) 2006

## **PART 2 – LEGISLATIVE BASIS FOR STATUTORY ACCOUNTING SECTIONS OF THE CODE**

---

---

**4.1  
Property,  
Plant and  
Equipment**

**Depreciation:**

General Fund (references to General Fund throughout this Appendix are to be read as Council Fund in Wales): as a consequence of the requirement to charge the General Fund with Minimum Revenue Provision (see SI 2008/414 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 or SI 2008/588 (W.59) The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 and related statutory guidance).

HRA: Item 8 Credit and Item 8 Debit (General) Determinations.

Major Repairs Reserve (England): The Accounts and Audit (~~Amendment~~England) Regulations ~~2004-2011~~ (SI ~~2004-2011~~ No. ~~556817~~).

**Revaluation Losses:**

As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see the Local Government Act 2003 and various regulations and statutory guidance).

**Gains and Losses on Disposal:**

As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see the Local Government Act 2003 and various regulations and statutory guidance).

**Depreciation:**

General Fund: as a consequence of the requirement to charge the General Fund with Loans Fund principal repayments (see Schedule 3 paragraph 15(1) of the Local Government (Scotland) Act 1975 and related statutory guidance).

HRA: Part II of Schedule 15 paragraph 3 (a) of the Housing (Scotland) Act 1987.

**Revaluation Losses:**

As a consequence of the capital control regime requiring capital resources to be set aside to finance capital assets when they are acquired or constructed (see SSI 2004/29 requiring adherence to CIPFA's *Prudential Code for Capital Finance in Local Authorities*).

**Depreciation:**

As a consequence of the requirement to charge the District Fund with Loans principal repayments (see Section 65 of the Local Government Act (Northern Ireland) 1972).

**Revaluation Losses and Gains and Losses on Disposal:**

Councils follow all relevant accounting and disclosure requirements in the *Code of Practice on Local Authority Accounting* under an Accounts Direction from the Department of the Environment.

**Loans Fund:**

Section 72 of the Local Government Act (Northern Ireland) 1972.

---