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CIPFA
IN SCOTLAND

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CIPFA in Scotland



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BRIEFING



ethical standards

- ✓ INTEGRITY
- ✓ OBJECTIVITY
- ✓ COMPETENCE AND DUE CARE
- ✓ CONFIDENTIALITY
- ✓ PROPER CONDUCT
- ✓ TECHNICAL AND PROFESSIONAL STANDARDS

PUBLIC INTEREST, ETHICS AND THE CIPFA MEMBER

I was re-reading some of my earlier briefings in order to get some inspiration for this briefing and was struck by the following paragraph which I had written while reflecting on CIPFA in Scotland's centenary:

The beginning of the twentieth century also saw greater calls for recognition of Scotland's position with the United Kingdom a call which led to specific arrangements at Westminster, A Standing Committee for Scottish Bills. A trail which eventually over a period of approximately one hundred years, led to the Scottish Parliament at the end of the twentieth century.

This resonates with some of the headlines which have been hitting the national press recently involving First Minister Alex Salmond as he wrestles with Westminster to get greater recognition of Scotland and the other devolved governments within the United Kingdom. Our forefathers played their part in the 20th century in terms of supporting the recognition of Scotland while protecting the public interest. We need to consider the part which we must play as individual Scottish CIPFA members as well as a collective Institute in this

new brave world of a nationalist led Scottish government.

As a chartered professional body and as a registered charity the Institute's first loyalty is to the public. This is reflected in the Institute's decision making where our overriding concern is to take the course which reflects the best interests of the public even if this conflicts with the interests of members. The Scottish Executive is committed to introducing a local income tax. As a professional body, we must work with government to implement this policy ensuring that we inform the public of what the policy means for them. Many CIPFA members and their employers may personally be against this policy. However, there is a strong public interest dimension to this change in taxation and that must drive what we do in this area.

Today's organisations are subject to constant pressures to adapt and change – our new government has

BRIEFING



brought its own political drivers for change. One need look no further than the recent headlines around SNP's views on Scottish Enterprise, Sports Scotland and Communities Scotland. As a consequence, CIPFA members must be able not only to cope with these pressures but also to influence, shape and often play a leadership role in the organisations response.

CIPFA's Statement of Professional practice on ethics sets out 6 fundamental principles. Members

Ethical standards are essential for us as a profession to be able to demonstrate that we will always act in the public interest and not our own.

must be aware that, in order to retain public confidence, they should conduct their activities in such a way that they can demonstrate that these principles are being applied. The 6 principles are:

- Integrity;
- Objectivity;
- Competence and Due Care;
- Confidentiality;
- Proper Conduct; and
- Technical and Professional Standards

Ethical standards are essential for us as a profession to be able to demonstrate that we will always act in the public interest and not our own.

These are certainly interesting times we live in. The challenge for CIPFA in Scotland, Wales, Ireland and England is to be at the heart of the action in an influential position to help shape events proactively.

New Scotland Office Appointment

Finally, in my briefing for this edition, I'm pleased to welcome a new staff member aboard my team here at CIPFA in Scotland. Stephen Beck has joined CIPFA in Scotland as Business Development Manager. Stephen will take responsibility for managing and developing the commercial operations here within the Scottish office and for promoting the CIPFA Group's wider range of products and services. Stephen brings extensive experience from his previous career in recruitment which included a period managing and operating his own company. If you wish to discuss how you or your organisation may benefit from the wide range of products and services offered by the CIPFA Group here in Scotland, you can contact Stephen directly on 0131 559 3614 or at stephen.beck@cipfa.org

TECHNICAL UPDATE

A NEW PERFORMANCE FRAMEWORK

The Local Authority Performance Improvement Board issued a discussion paper entitled Improving Local Services in Scotland - A New Performance Framework. The paper set out proposals for a new, outcome-focused performance framework for local authorities and their partners. This paper also outlined how the framework is to be developed in the context of the wider reform agenda. Additionally it set out the guiding principles to underpin the framework.

CIPFA submitted comments to the Board which recognised that there were already established performance management systems in local authorities and that any new framework should recognise existing systems and attempt to build upon them. CIPFA went on to comment that any focus should be on supporting the improvement of these local performance systems rather than adding a new set of national outcome measures at this stage. CIPFA's conclusion and overall recommendation was that the project should not proceed at this stage until clear direction has been provided from the new administration.

CIPFA's comments can be read in full at:

www.cipfascotland.org.uk/news_details.cfm?news_id=30647

SUMMARISED ACCOUNTS

CIPFA's Local Authority Accounting Panel (LAAP) has approved a project brief which will examine how to develop simplified and summarised accounts for local authorities in the UK. The project will build upon the previous work carried out by LASAAC in Scotland on this issue.

The stated aim of the project will be to develop published guidance which will enable local authorities to prepare summarised local authority financial statements to common standards and to publish them in a broadly common format. The project is expected to commence early in 2008.

GOOD GOVERNANCE

CIPFA in association with SOLACE and with support from key local government organisations from across the UK has published Delivering Good Governance in Local Government: Framework together with an accompanying guidance note.

The document replaced the original CIPFA/SOLACE Framework Corporate Governance in Local Government : A Keystone for Community Governance first published in 2001.

The Framework defines the principles that should underpin the governance of each local government body. It provides a structure to help individual authorities with their own approach to governance. Whatever form of executive arrangements are in place, authorities are urged to test their structures against the principles contained in the Framework by:

- reviewing their existing governance arrangements against the Framework;
- developing and maintaining an up-to-date local code of governance, including

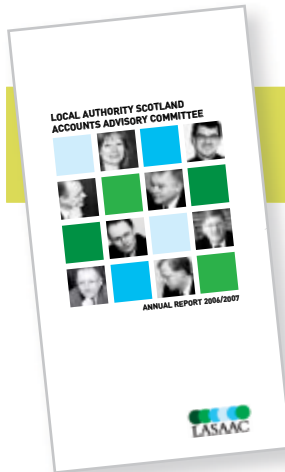
arrangements for ensuring its ongoing application and effectiveness; and

- preparing a governance statement in order to report publicly on the extent to which they comply with their own code on an annual basis including how they have monitored the effectiveness of their governance arrangements in the year and on any planned changes in the coming period.

Specific guidance for local authorities in Scotland will be published later in 2007. Copies of the framework can be obtained at:

<http://secure.cipfa.org.uk/cgi-bin/cipfa.storefront/467101b202542e26273f3efdf40705e8/Product/View/BU012a>





LASAAC ANNUAL REPORT 2006/7

LASAAC has released the 2006/7 annual report. The report includes details of the Committee's work in assisting with the development of the SORP and its major role in assisting with the introduction of statutory guidance on financial instrument standards. The report also looked ahead to the proposed release of guidance on accounting for the common good later in 2007. The report which was sent to all local authority

stakeholders can be downloaded at



<http://www.cipfa.org.uk/scotland/technical/lasaac.cfm>

ACCOUNTING FOR CHARITABLE BODIES

Local authorities are required to comply with the requirements of the Charities Accounts (Scotland) Regulations 2006. The regulations placed a potentially onerous burden upon practitioners and auditors. At the June meeting, the Committee discussed the proposal by the CIPFA Directors of Finance Section for a pragmatic solution and the response from the Office of the Scottish Charity Regulator (OSCR).

The Committee endorsed the proposal that for 2006/7 the local authority's disclosure requirement was as follows:

1. one copy of the council's financial statements for 2006/7; inclusive of
2. the audit certificate which covers the full financial statements; accompanied by
3. a further analysis (which may take the form of a spreadsheet and/or other working paper) which provides a breakdown of the accounts of each registered charitable body.

The submissions require to be made by 31 December 2007.

SURPLUS ASSETS IN LOCAL AUTHORITIES IN SCOTLAND

At its June meeting, the Committee was advised on the continuing debate on asset management in local authorities. Debate is focussing upon surplus assets which as at 31 March 2006 were estimated to be £435M. The estimate did not cover all of the 32 local authorities. The Committee were further advised that Directors of Finance were keen to take the debate on surplus assets forward and to ensure that available information was as accurate as possible. A short briefing note had been issued by Directors for 2006/7.

Given the developing interest the Committee agreed that both consistency and understanding was important. In recognising the limitations of what can be understood from a single figure on the balance sheet, there was support for an explanatory note where appropriate in line with the briefing for Directors of Finance. Further information can be found at

www.cipfascotland.org.uk



A NEW NAME

The familiar title the CIPFA/LASAAC Joint Committee will shortly disappear. The body recognised by the ASB as standard setter for local government will now be formally known as the CIPFA/LASAAC LA SORP Board. The modernised title brings the Board's title into line with other SORP setting bodies.

MEMBERSHIP

Two new members have joined the committee. Susan Cooper, City Chamberlain at Aberdeen City Council will represent the CIPFA Directors of Finance Section. Susan was joined by Lynn Bradley, who as Director of Local Government will represent Audit Scotland.

SORP GUIDANCE NOTES 2007/8

The guidance notes in support of the SORP have traditionally been published shortly before the end of the year to which they relate. 2007/8 however results in the full implementation of financial instrument standards and the introduction of the revaluation reserve. For 2007/8 therefore, the timetable for publication has been radically altered. Plans are now in place to enable publication in December 2007, some three months earlier than previous years.

FINANCIAL REPORTING STANDARDS



FRAB which, in its annual report, had expressed the view that the government should take the lead in adopting IFRS. FRAB therefore welcomed the announcement. FRAB also considered that the proposal was a demonstration of the government's continuing commitment to maintaining high

differences between the revised FReM and the local government SORP. After differences between the FReM based on international accounting standards and the SORP have been identified and analysed, the LA SORP Board will determine how to move forward on the differences.

public sector between UK GAAP and IFRS.

The LA SORP board has also identified the valuation basis for infrastructure assets as a further area of difference. The FReM requires a current valuation basis while the LA SORP requires an historical cost basis, both of which are consistent with UK GAAP.

One practical area of impact is on the timetable for publication of Whole of Government Accounts. The Treasury announcement in March also revised the publication timetable for WGA to 2008/9. The revision allows time to complete the alignment between local and central government and to enable WGA to be prepared on an IFRS basis.

A clear, but not as yet stated, impact however will be on practitioners in both local and central government who will be required to rise yet again to what will be a major technical challenge. CIPFA Scottish News will ensure that practitioners in both local and central government are advised of all developments.

The CIPFA/LASAAC LA SORP Board, which sets out how local authorities should prepare financial statements, was also swift in responding to the announcement and was equally swift in mapping out a way forward.

standards in public accountability. Its further observation that it placed the UK at the leading edge of financial reporting internationally was consistent with the Treasury intention to bring benefits in consistency and comparability between international financial statements.

The CIPFA/LASAAC LA SORP Board, which sets out how local authorities should prepare financial statements, was also swift in responding to the announcement and was equally swift in mapping out a way forward. The SORP Board has itself been converging the accounts of the local government sector with international accounting standards, by virtue of being the SORP preparer for the local government sector recognised by the ASB. This has been conducted through the ASB's convergence agenda. The ASB's convergence timetable was however for later than the 2008/09 financial year. The way forward will require both the SORP Board and FRAB to work together which will include an appraisal of where there are

Additionally, the LA SORP Board is reviewing the current disclosure requirements within the SORP, in particular to see whether or not these can be simplified within the move generally to internationally based accounting standards. HM Treasury is also reviewing disclosure requirements under international accounting standards and has agreed to share its results with the CIPFA Secretariat.

There are three areas where there is early agreement as to the impact on financial statements:

- the treatment of PFI;
- infrastructure assets; and
- Whole of Government Accounts (WGA)

Where both FRAB and the LA SORP Board agree immediately is on the likely treatment of presently 'off-balance sheet' PFI schemes. FRAB had already identified the treatment of PFI as an 'area of concern'. The LA SORP Board stated that the recognition and measurement of PFI was a likely key difference for the

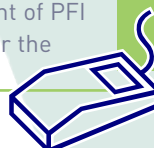
Further information on CIPFA, LASAAC, FRAB and the International Accounting Standards Board.

www.cipfa.org.uk/scotland/technical/lasaac.cfm

www.cipfa.org.uk/pt/

www.aasbni.gov.uk/frab/

www.iasb.org/Home.htm



CERTIFICATE IN CHARITY FINANCE & ACCOUNTANCY

Scotland's charitable sector was reformed and modernised with the introduction of the Charities and Investments (Scotland) Act 2005.

This legislation introduced the new Office of the Scottish Charities Regulator (OSCR) and set a new legislative basis for the governance of charities in Scotland. Prior to its introduction, the then Minister for Communities stated that "the public deserves to be sure that charities in Scotland are effective, transparent and trustworthy". The financial magnitude of public interest, if measured by public donation alone, is of the order of £250M annually.

CIPFA's leading role at the heart of public interest can be demonstrated in its development of a financial management qualification for those who manage the finances of charities. The Certificate in Charity Finance and Accountancy has been specifically designed to meet the needs of those working in the finance functions of charities, but who do not yet hold a recognised qualification directly relevant to their work.

The Certificate has been designed by CIPFA in partnership with London South Bank University (LSBU). This unique qualification has been influenced by the growing demand from government to

improve the financial management of charities. Backed by the Workforce Hub and the Charity Finance Directors Group, the qualification will support people within the charities sector to enhance organisational efficiency, productivity and sustainability.

Success in what is a one-year course will lead to affiliate membership of CIPFA with the right to use the designatory letters CCFA (CIPFA). The Certificate will also offer an excellent basis for those who may choose to further develop expertise in the field of financial management across the sectors. It includes generous exemptions for students successfully completing the course who decide to continue to complete the full CIPFA professional accountancy qualification.

To become students on this course, applicants will need to demonstrate at least one year's experience of working in charity finance, including their current employment, to satisfy CIPFA's student entry requirements and to demonstrate the aptitude to undertake academic study.

The course content includes:

- **Charity Finance & Accounting** which addresses and introduces accounting principles and sets charity accounting in the context of accounting standards, including an introduction to the Charity SORP 2005 as the accounting standard for Charities;
- **Voluntary Sector Financial Management** which considers Financial Strategy, the Funding of Charities, Risk management, Mergers and partnership working, Investment management and Pensions accounting;
- **Advanced Charity Accounting** which develop further the work on the SORP and also includes management and project accounting, social accounting and audit and advanced budgeting techniques; and
- **Taxation of Charities** which addresses tax reliefs for charities, the charity as an employer and VAT.

If you are interested, further details can be obtained at:

<http://www.cipfa.org.uk/students/prospective/>



MEMBERS NEWS



CLASS OF 2007

The new graduate members which formed CIPFA Scotland's class of 2007 were formally welcomed to the Institute at the graduation ceremony on May 18 2007. The ceremony included the now traditional class photo on the marble stairway in Glasgow City Chambers.



CIPFA IN SCOTLAND OFFICE BEARERS 2007/8

The annual AGM of CIPFA in Scotland was held in Glasgow on May 17th at which Marc Mazzucco was elected as Chair of CIPFA in Scotland. The meeting which included an address from the President of CIPFA Caroline Gardiner also resulted in the appointment of the following office-bearers:

Karen Kelly – Senior Vice Chair
Derek Yule – Junior Vice-Chair
Honorary Secretary – Karen Sinclair
Honorary Treasurer – David Robertson
Honorary Auditor – Alex Mackie
Past Chair – Lynn Bradley

PRIZEWINNERS

The D R Bishop prize for the top overall student in Scotland was won by Anne Cairns from Audit Scotland who was also the winner of the Audit Scotland prize for the best student in public audit.



The Archie Gillespie Memorial Prize for the top student in local government was won by Colin Harvey from Aberdeenshire Council.



David Dorward, Depute Chief Executive with Dundee City Council and a past Chair of CIPFA in Scotland was



presented with the annual Ian Doig award for services to CIPFA in Scotland.

MEMBERS NEWS



PRACTICE ASSURANCE SCHEME

CIPFA members will be aware that Steve Freer, the Chief Executive wrote in March advising that the Institute needs to implement a compliance structure for the new requirements under the Third EU Money Laundering Directive, which will be implemented in UK law at the end of 2007.

The Directive will require all accountants who provide professional accountancy services to anybody other than their employers to be regulated, either by an approved professional body, or by HM Revenue and Customs. Failure to register with HMRC is expected to carry penalties.

CIPFA's proposed Practice Assurance scheme is intended to provide independent assurance that those CPFAs who provide professional services (other than to their employers) meet prescribed quality standards. The scheme is intended both to regulate this group in order

to comply with the new law, and to provide them with protection, should there be a complaint made by a client or other interested party.

Detailed design of the scheme is ongoing. It is intended to develop an online resource which will deal not only with the operation of the scheme, but will also involve practical materials, for example on the subject of compliance with the money laundering regulations.

Further information can be obtained shortly from the CIPFA website. There is also a current direct advice line at practiceassurance@cipfa.org



SUMMER CHARITY BALL IN AID OF BREAST CANCER CARE

CIPFA members and students are invited to attend Scotland's first Trainee Accountancy Ball (STAB '07), which is to take place this summer at Murrayfield Stadium on July 14th. The ball will raise money and awareness for Breast Cancer Care.

The ball is a black tie event aimed at all trainee accountants throughout Scotland regardless of what accountancy qualification they are studying. Tickets are priced at £45 a head or alternatively tables of 10 can be purchased for £400 (a saving of £5 per person). The ticket price includes a champagne reception, three course sit-down meal, wine and a selection of other drinks on the table. A live celidh and covers band will entertain guest. The organisers also promise other exciting undisclosed surprises.

For further details and to purchase tickets contact www.michaelpage.co.uk/traineeball or call Emily Randall on 0131 243 2906.

CAREER



ARE YOU A CIPFA TRAINER?

Every year CIPFA in Scotland delivers around 100 events ranging from the Annual Conference which this year was held in Glasgow, through to open training events concentrating on specific issues and on needs identified by our members and customers.

In addition, a number of seminars are run each year across Scotland covering the latest hot topics that are affecting the Public Services where a number of high profile speakers share their views of the subject matters.

Where organisations have a number of delegates wishing to attend an open training event, it can prove to be a more cost effective method of delivery for this event to be delivered as an in-house course, which also gives greater flexibility with regards to the date of delivery as well as enabling the content to be tailored to the specific organisation.

CIPFA in Scotland has a number of highly skilled trainers who deliver our events covering both the latest technical/policy aspects and accounting within the Public Services and also specific areas such as Project Management and the softer skills required covering leadership skills.

As part of CIPFA in Scotland's on-going commitment to ensuring that the events that we deliver support our customers organisational and personal needs we are looking to grow our database of trainers who can work with CIPFA in Scotland to develop and deliver our programme of events.

If you would like to discuss becoming a trainer, then in the first instance please call; Stephen Beck, Business Development Manager, CIPFA in Scotland on 0131 559 3614, or email Stephen.beck@cipfa.org

If you would like further information on the types of events that we currently deliver, please visit; www.cipfascotland.org.uk/events.cfm

CAREER MOVES

CIPFA members have been successful in obtaining senior finance positions in Scotland. Gavin Stevenson has been appointed as the Director of Corporate Services at Perth & Kinross Council. Gavin was previously Director of Central Government at Audit Scotland.

Gavin's replacement is Fiona Kordiak who has been appointed as Director of Central Government at Audit Scotland.

CHAIR OF LOCAL AUTHORITY ACCOUNTING PANEL – VACANCY

If you think you have the qualities to chair CIPFA's auspicious Local Authority Accounting Panel (LAAP) then you will be interested in the current vacancy for the position of Chair. There are usually three or four half-day meetings per year in central London. The Panel is responsible for:

- > the development and maintenance of the CIPFA Best Value Accounting Code of Practice;
- > editorial supervision of the guidance notes for practitioners on the application of the local authority accounting SORP;
- > discussing emerging accounting issues; and
- > approving an annual programme of local government finance courses and conferences.

The Chair of LAAP will also normally be a CIPFA nomination on the CIPFA/LASAAC LA SORP Board (formerly the CIPFA/LASAAC Joint Committee) that has responsibility for the development and maintenance of the local authority accounting SORP.

If you wish to express an interest, email a brief one page summary of your experience to the secretary at colin.stratton@cipfa.org with a brief summary of how you would see the role of the Panel developing under your Chairmanship including a summary of the current issues of relevance to the Panel.

If you would like to know more, telephone Colin Stratton for an informal discussion about what is involved on 0207 543 5686. The current Chair, Paul Dransfield, would also be pleased to talk to you. Paul can be emailed at paul.dransfield@birmingham.gov.uk, or telephoned on 0121 3033803

DEVELOPING THE INSTITUTE

CIPFA in Scotland welcomed a new staff member to the team. **Stephen Beck** has joined as Business Development Manager with responsibility for managing and developing the commercial operations within the Scottish office and for promoting the CIPFA Group's wider range of products and services. Stephen brings extensive experience from his previous career in recruitment which included a period managing and operating his own company. In this article Stephen discusses the early tasks and challenges he faces in developing the Institute's business in Scotland.

A large part of my new role is around addressing the first two quartiles in *CIPFA's Development Strategy 2006 - 2010: Educating, Training and Continuously Developing Outstanding Members, and Meeting Customer Needs and Expectations*. In order for me to achieve these I hope to be able to meet with you and have an open dialogue as to tailoring our services to your needs.

Each quarter in CIPFA Scottish News I want to give you a flavour of what CIPFA in Scotland are currently doing to ensure you are aware of the business that the Institute is currently involved in.

NHS Education for Scotland is looking to resurrect the national finance training scheme with a CCAB partner. CIPFA in Scotland has put in a strong bid concentrating on our unique position of being the only provider which specialises in the public sector and who can tailor training to meeting the organisational needs within the sector. Our bid is currently sitting within the tender process with our hope being that we can put in place a CIPFA professional qualification in order to develop outstanding members of the future.

You will all no doubt be aware of the McClelland review of public sector procurement and the implications for organisations across the public sector in implementing the recommendations contained within it. CIPFA in Scotland has been working with Scotland Excel, the local authority centre for procurement

excellence, and through this collaboration are delivering procurement training across local authorities for both finance professionals and also for elected members, covering their governance obligations. Irene Mculloch, Head of Support Services at Scotland Excel has said "working with CIPFA to deliver the procurement training was a natural fit given their unique understanding of finance professionals and governance issues across the public services"

As we go to print (well the email equivalent!) we are finalising our bid for the Scottish Executive where we are tendering to design develop and deliver financial management training for them. CIPFA in Scotland has previously delivered a number of in-house training courses as well as consultancy assignments for the Executive, and we hope that the combination of our organisational understanding and track record of financial training within the public services will stand us in good stead.

Now that local administrations have come together there is an increased push to ensure that the elected members, both old and new are fully aware of their responsibilities, and to this end CIPFA in Scotland have developed a specific package to address: governance, scrutiny, an introduction to local government finance and audit committees. For further details on this training package please contact my colleague: morag.ferri@cipfa.org



Stephen Beck
Business Development
Manager

If you wish to discuss how you or your organisation may benefit from the wide range of products and services offered by the CIPFA Group here in Scotland, you can contact Stephen directly on 0131 559 3614 or at stephen.beck@cipfa.org