



Guidance on

The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015

19 November 2015

Circular LG 30/2015

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Guidance on the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015

Introduction

1. This guidance has been produced following the making of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 (the 2015 Regulations) and supersedes the previous guidance for the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 (the 2006 Regulations) – Circular LG 04/08.
2. The purpose of this guidance is to assist local government bodies in their operation of the accounting regime under the 2015 Regulations. The power to make the 2015 Regulations is conferred by Article 24 of the Local Government (Northern Ireland) Order 2005 (the 2005 Order).
3. The 2015 Regulations has restructured the provisions which apply to smaller and larger local government bodies, in order that proper (accounting) practices relating to the annual accounts can be defined for those entities. To facilitate the division, definitions of a smaller and larger local government body have been provided within the Regulations.
4. The contents of the guidance have been separated to reflect Parts 1 – 5 set out in the 2015 Regulations.
5. A separate section on a Remuneration Report for larger local government bodies is included as Part 6. A sample of a Remuneration Report is included as Appendix A.
6. If you have any queries on the guidance please contact Jeff Glass on 028 90 823375 (email jeff.glass@doeni.gov.uk).

Part 1 – Introductory

Definition of a smaller local government body

7. The definition of a smaller local government body has been provided to include:
 - (a). a committee of a council for which accounts are separately kept;
 - (b). a joint committee of two or more councils; or
 - (c). a local government body which-
 - (i) is an established body, which meets the qualifying condition for the year concerned and for either of the two preceding years; or;
 - (ii) is an established body, which meets the qualifying condition for its first year.

8. To be classified as a smaller local government body, the 2015 Regulations provide that the local government body's gross income or expenditure (whichever is higher) is not more than an amount directed by the Department of the Environment (Department). The amount directed by the Department under Circular LG 27/15 is £2.5 million.

Definition of a larger local government body

9. The definition of a larger local government body has been provided to include:
 - (a). a council; or;
 - (b). a local government body which is listed in the definition of smaller local government body above but which does not meet the qualifying condition of £2.5m.

Part 2 – Financial Management and Internal Control

The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 as they apply to both larger and smaller local government bodies

Regulation 4 – Responsibility for financial management and internal control

10. A local government body is responsible, as part of its corporate responsibility, for the financial management and internal control systems of the body. The body should review at least once in each financial year the effectiveness of its system of internal control and the findings must be considered by the body meeting as a whole or by a committee whose remit includes audit of governance functions.

11. The regulation indicates the body or committee must approve an “Annual Governance Statement” prepared in accordance with proper practices on internal control. Proper practices are those set out in Delivering Good Governance in Local Government: Framework, published by the Chartered Institute of Finance and Accountancy (CIPFA) in 2007. In 2012 CIPFA issued an Addendum to the Delivering Good Governance in Local Government: Framework which includes an example of a Governance Statement.

Regulation 5 – Accounting records and control systems

12. This regulation requires the Chief Financial Officer to determine on behalf of the local government body the form of the accounting records and supporting records and the accounting control systems.

Regulation 6 – Internal Audit

13. The regulation requires a local government body to use internal auditing standards in force to undertake an adequate and effective internal audit of its accounting records and of its system of risk management, internal control and governance, from time to time. The Public Sector Internal Auditing Standards (PSIAS) which came into force on 1 April 2013 are applicable to all public sector bodies in the UK. PSIAS include a definition of Internal Auditing and provides detail on the main areas where internal audit activity

must contribute to improvement including governance, risk management and internal control.

Part 3 – Published Accounts and Audit (Larger Local Government Bodies)

The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 as they apply to larger local government bodies

Regulation 7 – Statement of Accounts

14. A larger local government body must ensure that its statement of accounts is prepared in accordance with the 2015 Regulations, in accordance with proper accounting practices and in the form directed by the Department including a remuneration report. Proper accounting practices are where the statement of accounts are prepared under International Accounting Standards as set out in the relevant version of the Code of Practice on Local Authority Accounting.
15. Details on the remuneration report are included in Part 6.

Regulation 8 – Signing, Approval and Publication of Statement of Accounts

16. This regulation requires the Chief Financial Officer to certify the statement of accounts present a true and fair view of the body's financial position at the end of the year, and the body's income and expenditure for that year. This regulation also provides flexibility for the Chief Financial Officer to nominate another person to sign and certify the statement of accounts when the Chief Financial Officer is unable to do so owing to absence or illness. This should be undertaken at or before the 30 June of the relevant financial year. Consideration and approval by a committee of that body or by the members of the body meeting as a whole is not required for the unaudited accounts.
17. The date by which the statement of accounts must be approved by a committee of that body or by the members of the body meeting as a whole is 30 September. Effectively formal approval of accounts will be based on audited rather than unaudited accounts. Although the deadline of no later than 30 September is given for the approval of the statement of accounts by way of a meeting of a committee of that body or by the members of the body meeting as a whole, this is also the audit certification deadline. Therefore there are practical considerations to take into account to allow these audits to be certified on time. Local government bodies are asked

to liaise with the Local Government Auditor before establishing dates for meetings in September that approve the statement of accounts. As a guide, these meetings should be arranged for one to two weeks prior to the 30 September to allow audit certification by 30 September.

18. Immediately before the statement of accounts are approved they will also be re-certified by the Chief Financial Officer.

Part 4 - Published Accounts and Audit (Smaller Local Government Bodies)

The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 as they apply to smaller local government bodies

Regulation 9 – Statement of accounts

19. A smaller local government body must prepare a statement of accounts each year in accordance with proper accounting practices and in the form directed by the Department. Therefore a smaller local government body does not have to prepare a remuneration report.

Regulation 10 - Signing, Approval and Publication of Statement of Accounts

20. This regulation requires the Chief Financial Officer to certify that the statement of accounts present a true and fair view of the body's financial position at the end of the year, and either the body's income and expenditure or receipts and payments for that year. This regulation also provides flexibility for the Chief Financial Officer to nominate another person to sign and certify the statement of accounts when the Chief Financial Officer is unable to do so owing to absence or illness. This should be undertaken at or before the 30 June of the relevant financial year. Consideration by a committee of that body or by the members of the body meeting as a whole is not required for the unaudited accounts.
21. The date by which the statement of accounts must be approved by a committee of that body or by the members of the body meeting as a whole is 30th September. Effectively formal approval of accounts will be based on audited rather than unaudited accounts. Although the deadline of no later than 30 September is given for the approval of the statement of accounts by way of a meeting of a committee of that body or by the members of the body meeting as a whole, this is also the audit certification deadline. Therefore there are practical considerations to take into account to allow these audits to be certified on time. Local government bodies are asked to liaise with the Local Government Auditor before establishing dates for meetings in September that approve the statement of accounts. As a guide, these meetings should be arranged for one to two weeks prior to the 30 September to allow audit certification by 30 September.

22. Immediately before the statement of accounts are approved they will also be re-certified by the Chief Financial Officer.

Part 5 – Inspection and Notice Procedure

The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 as they apply to both larger and smaller local government bodies

Regulation 11 – Appointment of date for the exercise of rights of the public

23. This regulation requires a local government auditor to appoint a date on or after which an interested person (i.e. a local elector, a person liable for rates in the district of the local government body or a representative of those persons) may exercise his rights under Articles 17(2) and 18(1) of the Local Government (Northern Ireland) Order 2005. Article 17(2) provides that an interested person is entitled to question the auditor about the accounts and Article 17(2) provides that he may attend before the auditor and make objections regarding the accounts.

Regulation 12 – Procedure for public inspection of accounts

24. This regulation requires that a local government body must make its accounts and other documents available for public inspection for 20 working days before the date appointed by the local government auditor under regulation 11.

Regulation 13 – Alteration of accounts

25. This regulation provides that the accounts and other documents made available for public inspection shall not be altered after they have been made available, except with the consent of the auditor.

Regulation 14 – Notice of public rights

26. This regulation requires a local government body to give notice by publication on its website about matters relating to the right of public inspection of accounts and other documents. The notice must be published at least 14 days before the start of the period during which the accounts and other documents are to be made available pursuant to regulation 12.

Regulation 15 – Written notice of proposed objection

27. This regulation makes provision in respect of the contents of any written notice of a proposed objection that an interested person must give the local government auditor.

Regulation 16 – Notice of conclusion of audit

28. This regulation provides that, after the conclusion of an audit, a local government body must give notice by publication on its website advising that the audit of its accounts has been concluded and that its accounts are available for inspection by members of the public.

Regulation 17 – Publication of annual audit letter

29. This regulation makes provision in respect of the publication (which must include as a minimum publication on the local government body's website) of the annual audit letter that a local government body receives from the local government auditor.

Regulation 18 - Joint Committees

30. This regulation requires that, prior to the notice by publication on its website referred to in regulation 16, a joint committee must give each of its constituent councils a copy of the local government auditor's report and its statement of accounts.

Part 6 – Format of the Remuneration Report for Councils in 2015/16

Introduction

1. Regulation 7 of the 2015 Regulations provides that a larger local government body must ensure that its statement of accounts is prepared in accordance with the 2015 Regulations, in accordance with proper accounting practices and in the form directed by the Department including a remuneration report.
2. A sample of the Remuneration Report is at Appendix A.

Guidance on the Remuneration Report

Section 1 - Introduction

3. The 2015 Regulations require larger local government bodies to prepare a remuneration report as part of the statement of accounts. Within the 2015 Regulations the definition of a larger local government body has been provided to include a council. Therefore councils are required to prepare a remuneration report as part of the statement of accounts.

Section 2 – Allowance and Remuneration Arrangements

4. The Remuneration Report should contain all the information about the pay and pension packages of the Executive Management Team/Senior Management Team and councillors. Executive Management Team/Senior Management Team will normally include the Chief Executive and Directors.

Section 3 - Allowances Paid to Councillors

5. Table 1 should include a summary of the total allowances paid to all councillors in 2015/16. This information should reconcile to the Councillors' Allowances Annual Return published on a councils' website.
6. A note to table 1 should disclose the date of any resignations, retirements or appointments of councillors during 2015/16.

Section 4 – Remuneration of Senior Employees

7. Table 2 should include information on the remuneration (including salary) and pension entitlements for the Executive Management Team/Senior Management Team.

8. Within Table 2 the information in the column “Officers” should include the name and the post of the officer.
9. Within Table 2 the figures in the columns “Salary” and “Bonus Payments” should be disclosed in bands of £5,000. The figures in the column “Benefits in Kind” should be disclosed to the nearest £100.
10. Within Table 3 the Salary Band of Highest Paid member of the Executive Management Team/Senior Management Team should be disclosed in bands of £5,000.
11. Councils should include the median remuneration of their staff and the ratio between this and the mid-point of the banded remuneration of the highest paid member of the Executive Management Team/Senior Management Team (whether or not this is the Chief Executive). The calculation is based on full-time equivalent staff at 31 March 2016 on an annualised basis.
12. When preparing the Remuneration Report, councils may find that they have members of the Executive Management Team/Senior Management Team covered by the report who were appointed during the reporting year. There may also be members of the Executive Management Team/Senior Management Team who left during the reporting year. Councils should disclose the date of appointment, or last day of service as appropriate. It is essential that the Remuneration Report includes the details of any member of the Executive Management Team/Senior Management Team who has retired during the financial year.
13. Councils should only disclose the salary, bonus payments and benefits in kind that relate to the period during which they were in post. However, councils should also disclose the full year equivalent of the salary.

Section 5 – Exit Packages for Staff

14. The information contained in Table 4 must include exit packages for all staff during 2015/16.

Section 6 – Pension Benefits

15. Within Section 6, the information provided by NILGOSC in Table 5 and Table 6 reflects the up to date position for 2015/16.

16. In relation to pension benefits of councillors, not all councils split their councillor contributions from their employee contributions in their monthly payment of contributions and therefore NILGOSC would not be able to provide this information. Councils will be able to access this information from their Payroll system.
17. In relation to Table 7, the accrued pension at pension age as at 31 March 2016, is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the Scheme if they are at or over pension age. Pension age is state pension age or age 65. Councils should disclose the accrued pension in bands of £5,000.
18. The real increase in pension and lump sum is the increase in the value of the pension over the year after considering the effect of inflation (in line with the Consumer Prices Index). If members receive an automatic lump sum, this should be disclosed. Councils should disclose the real increase in pension and lump sum in bands of £2,500.
19. The Cash Equivalent Transfer Value (CETV) as at 31/03/15 and 31/03/16 are the capital values of the pension and are worked out using guidance provided by the scheme actuary. It is an assessment of what it costs the scheme to provide these pension benefits. Councils should disclose these figures to the nearest £1,000.
20. The real increase in CETV reflects the increase in CETV effectively funded by the Council. It takes account of the increase in accrued pension due to inflation, and contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement). Councils should disclose these figures to the nearest £1,000.
21. Each year councils should request the information for Table 7 from NILGOSC in March/April. NILGOSC does not charge for the provision of this information.

Remuneration report for the year ended 31 March 2016

1. Introduction

The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 require larger local government bodies to prepare a remuneration report as part of the statement of accounts.

2. Allowance and Remuneration Arrangements

Councillors

Allowances are payable by councils to councillors and committee members under Part 3 of the Local Government Finance Act (Northern Ireland) 2011 and The Local Government (Payments to Councillors) Regulations (Northern Ireland) 2012, which came into operation on 1 April 2012.

Following a review of allowances, carried out by an independent Councillors' Allowances Remuneration Panel, which was appointed in May 2013, the Minister of the Environment advised the Northern Ireland Assembly in a written statement of the new levels of allowances applicable for councillors from 1 April 2015.

Guidance and determinations on Councillors' Allowances applicable from 1 April 2015 were issued by the Department of the Environment on 24 February 2015 (Circulars LG 04/2015 and LG 05/2015 respectively). The determinations and rates have been updated in LG 29/2015 due to the increase in Dependants' Carer's Allowance from 1 October 2015. Details of the allowances paid to individual councillors are published on council websites.

Following local elections on 22 May 2014, 462 councillors were elected to the 11 new councils for a four year term. XYZ Council had 41 councillors in 2015/16.

Senior Employees

The remuneration of senior employees employed by the Council is determined by the Council in line with that determined by the National Joint Council (NJC) for Local Government Services. Senior staff are those staff who are members of the Executive Management Team/Senior Management Team.

Council appointments of employees are made in accordance with the Local Government Staff Commissions' Code of Procedures on Recruitment and Selection, which requires appointment to be on merit and on the basis of fair and open competition.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended.

3. Allowances Paid to Councillors

The total amount paid to Councillors by way of allowances in 2015/16, under Part 3 of the Local Government Finance Act (Northern Ireland) 2011 and the Local Government (Payments to Councillors) Regulations (Northern Ireland) 2012 was:

Table 1: Total Allowances paid to councillors in 2015/16 (audited information)

Allowance	Total Allowances £	Number of Councillors receiving Allowance
Basic Allowance		
Special Responsibility Allowance		
Chairperson/ Mayor Allowance		
Vice Chairperson/Deputy Mayor Allowance		
Mileage Allowance		
Other Travel Allowance		
Public Transport		
Subsistence		
Courses/Conferences visits		
Dependants' Carers Allowance		
TOTAL ALLOWANCES		

Details of the allowances paid to individual councillors in 2015/16 are published on the council website at www.xyz.gov.uk/remunerationreport.

4. Remuneration of Senior Employees

The remuneration of senior employees covers the Executive Management Team/Senior Management Team. The following

table provides details of the remuneration paid to senior employees in 2015/16:

Table 2: Remuneration (including salary) (audited information)

Officers	2015/16			
	Salary (Full year equivalent in brackets where applicable) £'000	Bonus Payments £'000	Benefits in kind (to nearest £100) £	Total £'000

Councils are required to disclose the relationship between the remuneration of the highest paid member of the Executive Management Team/Senior Management Team and the median remuneration of the Councils workforce.

The banded remuneration of the highest paid member of the Executive Management Team/Senior Management Team in the financial year 2015/16 was £xk - £yk. This was x times the median remuneration of the workforce, which was £x.

Table 3: Relationship between the remuneration of the highest paid member of the Executive Management Team/Senior Management Team and the median remuneration of the Councils workforce (audited information)

	2015/16 £'000
Salary Band of Highest Paid member of the Executive Management Team/Senior Management Team	
Median Total Remuneration	
Ratio	

In 2015/16, x employees received remuneration in excess of the highest paid member of the Executive Management Team/Senior Management Team.

Total remuneration includes salary, bonus payments and benefits in kind.

Salary

“Salary” includes gross salary, overtime, and any gratia payments.

Bonus Payments

Bonus payments are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2015/16 relate to performance in 2015/16.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument

5. Exit Packages for staff

The number of exit packages provided to all staff by the Council during 2015/16, together with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Table 4: Exit Packages in 2015/16 (audited information)

Severance Package Cost Band	Number of Compulsory Redundancies	Number of other departures agreed	Total Number of Exit Packages in each Cost Band	Total Cost of Packages in each Cost Band £'000
£0 - £20,000				
£20,001 - £40,000				
£40,001 - £60,000				
£60,001 - £80,000				
£80,001 - £100,000				
£100,001 - £150,000				
£150,001 - £200,000				
Total				

6. Pension Benefits

The Local Government Pension Scheme (Northern Ireland) (the Scheme) which is a funded defined benefit pension scheme, which provides retirement benefits for council employees on a “career average revalued earnings” basis from 1 April 2015. Prior to that date benefits were built up on a “final salary” basis.

From 1 April 2015, a member builds up retirement pension at the rate of 1/49th pensionable pay for each year. Pension benefits in relation to membership between 1 April 2009 and 31 March 2015 were built up at the rate of 1/60th pensionable pay for each year of membership. There is no automatic lump sum provided in respect of membership after 31 March 2009. Pension benefits in relation to any membership before 1 April 2009 were built up at the rate of 1/80th (pension) and 3/80ths (tax-free lump sum) of pensionable pay for each year of membership up to 31 March 2009. At retirement, members may give up some pension for additional lump sum, subject to HM Revenue and Customs (HMRC) limits. The conversion rate is £12 additional lump sum for every £1 of pension given up.

Councillors have been able to join the Scheme since May 2011. The Scheme application is modified to reflect the fact that councillors hold an elected office. Councillor members have always accrued pension on a career average basis. Prior to 1 April 2015 pension was accrued at a rate of 1/60th and thereafter at a rate of 1/49th.

The Scheme is funded by contributions made by both employees/councillors and employers. Prior to 1 April 2009, a member’s contribution rates were fixed at 6% of their pensionable remuneration (except for those who were entitled to contribute to the Scheme at 5% before 1 February 2003 and have remained in continuous employment). Tiered member contribution rates, determined by the whole-time equivalent rate of pay, were introduced from 1 April 2009. From 1 April 2015, the member contribution rates are determined on the actual rate of pay.

The ranges for the bands for tiered contribution rates are revised by the Department of the Environment in April each year in accordance with the increase applied to a pension in payment. The bands, effective from 1 April 2015, were as follows:

Table 5: Employee Contribution Rates

Band	Range	Employee Contribution Rate
1	£0 - £14,000	5.5%
2	£14,001 - £21,300	5.8%
3	£21,301 - £35,600	6.5%
4	£35,601 - £43,000	6.8%
5	£43,001 - £85,000	8.5%
6	More than £85,000	10.5%

Employers' contribution rates are determined by the fund's actuary every three years at the triennial valuation. The 2013 triennial valuation was undertaken as at 31 March 2013 and an employer contribution rate of 20% for those employers whose participation in the Scheme is deemed to be indefinite has been set for the following three years, effective from 1 April 2014:

Table 6: Employer Contribution Rates

Year	Employer Contribution Rate
1 April 2014 – 31 March 2015	20%
1 April 2015 – 31 March 2016	20%
1 April 2016 – 31 March 2017	20%

The Local Government Pension Scheme Regulations (Northern Ireland) 2014 were made on 27 June 2014 and The Local Government Pension Scheme (Amendment and Transitional Provisions) Regulations (Northern Ireland) 2014 were made on 30 June 2014. Both sets of regulations are effective from 1 April 2015

Councillors have been able to join the Scheme since May 2011 and therefore have not accrued significant benefits thus far. However, the in-year pension contributions made by the Council for all councillors during 2015/16 was £x.

The value of pension benefits of the most senior management of the Council accrued during the year was as follows:

Table 7: Pension Benefits of senior staff in 2015/16 (audited information)

Officers	Accrued Pension at pension age as at 31/3/16 £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/16 £'000	CETV at 31/3/15 £'000	Real increase in CETV £'000

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

**Chief Executive
September 2016**