Local Authority Accounting in Ireland

Code of Practice And Accounting Regulations

January 2018

FOREWORD

This Accounting Code of Practice and Accounting Regulations for Local Authorities in Ireland is a Statement of Recommended Practice (SORP). SORP's provide recommendations for accounting and reporting, in particular, how accounting standards should be applied in the context of particular sectors and how to account for sector specific transactions. SORPs aim to provide consistency of accounting treatment within a particular sector.

The first ACOP was published in 1998 and has been revised in the subsequent years to reflect developments of an accounting nature. The General Accounts Working Group (GAWG) is responsible for developing new accounting policies, providing guidance on implementation, reviewing existing policies requiring amendment and addressing all issues relating to accounting policy.

A subgroup of the General Accounts Working Group was formed in late 2013 and tasked with the job of updating the Code to bring it in line with the international conceptual framework for accounting standards in 2014. The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) extant at 31/12/2014 is the most up-to-date International Standard and is considered suitable for adoption within the local government sector. FRS 102 will replace extant Irish & UK GAAP accounting standards (SSAPs & FRSs) for accounting periods commencing on or after 1 January 2015. Early application is permitted for accounting periods ending on or after 31 December 2012.Therefore this code reflects where appropriate FRS102 and is effective for Annual Financial Statement (AFS) periods ending on or after 31/12/2014.

The policies outlined must be applied in the preparation of the AFS until such time as Ministerial direction is provided and/or the Code of Practice is updated. The ACOP encompasses Sections A and B, Appendices I to X, and the Departmental circulars issued and listed in Appendix V. The General Accounts Working Group (GAWG) is responsible for approving any updates to the ACOP and where necessary will obtain the endorsement of the Heads of Finance Group. Any updates to the ACOP will supersede previous versions. A copy of the updated Accounting Code of Practice is available on the DHPLG website www.housing.gov.ie

All ACOP queries and accounting policy requests should be directed to the Chair of the GAWG.

Local Government Finance

Department of Housing, Planning and Local Government

31 January 2018

Contents

Section B – Accounting Standards

Appendices

SUMMARY

1. OBJECTIVE OF THE ACCOUNTING CODE OF PRACTICE (ACOP)

The Accounting Code of Practice (ACOP) sets out the underlying accounting concepts and pervasive principles contained in the international conceptual framework for financial reporting, and which underpin the local authority Annual Financial Statement (AFS). The following points are intended to put some of these requirements in context:

- The ACOP requires accounting policies to be applied consistently;
- the overriding requirement is that the AFS 'presents fairly' the financial position and transactions of the local authority; and
- where there are changes in accounting policies or where the requirements of the ACOP are not met, then full disclosure is required.

The ACOP represents the minimum requirement for disclosure and presentation and is not intended to prejudice the provision of further information by authorities.

2. LAYOUT OF CODE OF PRACTICE

The ACOP sets out the rules which will ensure that financial reporting by local authorities is based on consistency, reliability, clarity and understanding. These rules are dealt with in the sections which follow:

Section A	**Accounting Bases Concepts and Pervasive Principles**
Section B	**Accounting Code of Practice Accounting Standards**
Appendices	**Additional Supporting Information**

3. UPDATING OF CODE

This code is based on generally accepted accounting practices, and in particular FRS 102, extant at 31/12/2014 and takes effect for Annual Financial Statements prepared for the financial year ending on or after 31/12/2014.

Section A – Accounting Bases, Concepts & Pervasive Principles

1. Introduction

The foreword to this Accounting Code of Practice (ACOP) dealt with the reason for the introduction of an ACOP and referred to the translation of established standards into local authority practice. This section, and sections B & C which follow, define accounting standards and select from established standards, relevant accounting concepts and pervasive principles for application to local authority accounting.

The AFS should be prepared in accordance with the basic accounting concepts and pervasive principles described below, the accounting standards set out in Section B and other relevant accounting guidelines. The Department of the Housing, Planning and Local Government retains responsibility for interpretation and provision of guidance notes for new or amended Accounting Standards from the international conceptual framework.

The requirement to 'present fairly' will normally be achieved by compliance in all material respects with the requirements of the ACOP regarding the form and content of the accounting statements, and application of the broad accounting concepts described below. Where the requirements of the ACOP are not met, then full disclosure and, where relevant, quantification of the effect of the departure in the AFS is required.

2. Accounting Standards

Accounting Standards are authoritative statements of how particular types of transactions and other events should be reflected in financial statements. Compliance with accounting standards will normally be necessary for financial statements to give a true and fair view.

3. Role of Standards

The purpose of this document is to identify proper accounting practices for the benefit of those who prepare and audit local authority financial accounts. Through observance over time there is an understanding and expectation that accounts will comply with applicable international accounting standards - i.e. any departure will result in a breach of the true and fair requirement even where disclosure is given.

4. Objectives of Financial Statements

Local authorities need to be familiar with the objectives of financial statements. The financial statements shall provide information about the financial position, performance and cash flows. The presentation of the information shall meet the 'common needs of most users'.

All Irish public bodies are obliged to treat public funds with care, and to ensure that the best possible value-for-money is obtained whenever public money is being spent or invested. The financial statements shall show the results (i.e. information about an authority's financial position, performance and cash flows) of the stewardship and accountability of elected members and management for the resources entrusted to them.

5. Underlying Assumptions

5.1 Accrual Basis

An authority shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting, i.e. the authority recognises items as assets, liabilities, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the ACOP. The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

5.2 Going Concern

An authority's financial statements shall be prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under machinery of government changes (such as local government reorganisation) do not negate the presumption of going concern.

6. Qualitative Characteristics of Information in Financial Statements

6.1 Understandability

The information provided in financial statements should be presented in a way that makes it comprehensible by users who have a reasonable knowledge of accounting, business and economic activities and a willingness to study the information with reasonable diligence. However, the need for understandability does not allow relevant information to be omitted on the grounds that it may be too difficult for some users to understand.

6.2 Relevance

The information provided in financial statements must be relevant to the decision-making needs of users. Information has the quality of relevance when it is capable of influencing the economic decisions of users by helping them evaluate past, present or future events or confirming, or correcting, their past evaluations.

6.3 Materiality

Information is material—and therefore has relevance—if its omission or misstatement, individually or collectively, could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

6.4 Reliability

The information provided in financial statements must be reliable. Information is reliable when it is free from material error and bias and represents faithfully that which it either purports to represent or could reasonably be expected to represent. Financial statements are not free from bias (i.e. not neutral) if, by the selection or presentation of information, they are intended to influence the making of a decision or judgement in order to achieve a predetermined result or outcome.

6.5 Substance over Form

Transactions and other events and conditions should be accounted for and presented in accordance with their substance and not merely their legal form. This enhances the reliability of financial statements.

6.6 Prudence

The uncertainties that inevitably surround many events and circumstances are acknowledged by the disclosure of their nature and extent, and by the exercise of prudence in the preparation of the financial statements. Prudence is the inclusion of a degree of caution in the exercise of the judgements needed to make the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated. However, the exercise of prudence does not allow the deliberate understatement of assets or income, or the deliberate overstatement of liabilities or expenses. In short, prudence does not permit bias.

6.7 Completeness

To be reliable, the information in financial statements must be complete within the bounds of materiality and cost. An omission can cause information to be false or misleading and thus unreliable and deficient in terms of its relevance.

6.8 Comparability

Users must be able to compare the financial statements of an entity through time to identify trends in its financial position and performance. Users must also be able to compare the financial statements of different entities to evaluate their relative financial position, performance and cash flows. Hence, the measurement and display of the financial effects of like transactions and other events and conditions must be carried out in a consistent way throughout an entity, over time for that entity, and in a consistent way across entities. In addition, users must be informed of the accounting policies employed in the preparation of the financial statements, of any changes in those policies and the effects of such changes.

6.9 Timeliness

To be relevant, financial information must be able to influence the economic decisions of users. Timeliness involves providing the information within the decision time frame. If there is undue delay in the reporting of information it may lose its relevance. Management may need to balance the relative merits of timely reporting and the provision of reliable information. In achieving a balance between relevance and reliability, the overriding consideration is how best to satisfy the needs of users in making economic decisions.

6.10 Balance between benefit and cost

The benefits derived from information should exceed the cost of providing it. The evaluation of benefits and costs is substantially a judgemental process. Furthermore, the costs are not necessarily borne by those users who enjoy the benefits, and often the benefits of the information are enjoyed by a broad range of external users.

7. Recognition in Financial Statements

7.1 Assets

Assets are resources controlled by the authority as a result of past events and from which future economic or service potential is expected flow to the authority. An authority shall recognise an asset in the Statement of Financial Position (Balance Sheet) when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

7.2 Liabilities

Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

An essential characteristic of a liability is that the entity has a present obligation to act or perform in a particular way. The obligation may be either a legal obligation or a constructive obligation. A legal obligation is legally enforceable as a consequence of a binding contract or statutory requirement. A constructive obligation is an obligation that derives from an entity's actions when:

a. by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and

b. as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

An authority shall recognise a liability in the statement of financial position (balance sheet) when:

a. the authority has an obligation at the end of the reporting period as a result of a past event;

b. it is probable that the authority will be required to transfer resources embodying economic benefits in settlement; and

c. the settlement amount can be measured reliably.

7.3 Reserves

Reserves are the residual interest in the assets of the authority after deducting all its liabilities.

7.4 Income

Income is the gross inflow of economic benefits or service potential during the reporting period when those inflows or enhancements of assets or decreases of liabilities result in an increase in reserves. Income includes both revenue arising in the course of ordinary activities and gains such as the revaluation of Property, Plant and Equipment.

An authority shall recognise income in the income and expenditure account (statement of comprehensive income) when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably.

7.5 Expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows, consumption of assets, or increases of liabilities that result in decreases in reserves. Expenses include expenses that arise in the course of the ordinary activities and losses such as revaluation of Property, Plant and Equipment.

An authority shall recognise expenses in the statement of comprehensive income (income and expenditure account) when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

8. Changes in Accounting Policies and Adjustments

8.1 Accounting Bases

Accounting Bases are methods which have been developed for expressing or applying fundamental accounting concepts to financial transactions and items e.g. bases for calculation of depreciation, (straight line / reducing balance). The bases chosen should be appropriate to the circumstances, and best suited to present fairly an organisation's results and financial position. The bases adopted become the accounting policies.

8.2 Accounting Policies

Accounting Policies are the specific accounting bases judged by organisations to be the most appropriate to their circumstances (e.g., choice of straight-line basis for depreciation) and adopted by them for the purpose of preparing their financial accounts. The AFS format includes the recommended accounting policies. The policies listed are the minimum requirement. A local authority, for clarification purposes, may add to but not reduce the list. Any divergence from recommended policies require Department approval and disclosure in the AFS.

8.3 Changes in Accounting Policies

An entity shall change an accounting policy only if the change

a. is required by an FRS, or

b. results in the financial statements providing more reliable and relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows,

c. and is agreed by the General Accounts Working Group

The following are not changes in accounting policies:

a. the application of an accounting policy for transactions, other events or conditions that differ in substance from those previously occurring;

b. the application of a new accounting policy for transactions, other events or conditions that did not occur previously or were not material; and

c. a change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that an FRS would otherwise require or permit to be measured at fair value.

If an FRS allows a choice of accounting treatment (including the measurement basis) for a specified transaction or other event or condition and an entity changes its previous choice that is a change in accounting policy.

Retrospective application

When a change in accounting policy is applied retrospectively, the entity shall apply the new accounting policy to comparative information for prior periods to the earliest date for which it is practicable, as if the new accounting policy had always been applied. When it is impracticable to determine the individual-period effects of a change in accounting policy on comparative information for one or more prior periods presented, the entity shall apply the new accounting policy to the carrying amounts of assets and liabilities as at the beginning of the earliest period for which retrospective application is practicable, which may be the current period, and shall make a corresponding adjustment to the opening balance of each affected component of equity for that period.

Disclosure of a change in accounting policy

When an amendment to an FRS has an effect on the current period or any prior period, or might have an effect on future periods, an entity shall disclose the following:

a. the nature of the change in accounting policy;
b. for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected;
c. the amount of the adjustment relating to periods before those presented, to the extent practicable; and
d. an explanation if it is impracticable to determine the amounts to be disclosed in (b) or (c) above.

Financial statements of subsequent periods need not repeat these disclosures.

When a voluntary change in accounting policy has an effect on the current period or any prior period, an entity shall disclose the following:

a. the nature of the change in accounting policy;
b. the reasons why applying the new accounting policy provides reliable and more relevant information;
c. to the extent practicable, the amount of the adjustment for each financial statement line item affected, shown separately:
    I. for the current period;
    II. for each prior period presented; and
    III. in the aggregate for periods before those presented; and
d. an explanation if it is impracticable to determine the amounts to be disclosed in (c) above.

Financial statements of subsequent periods need not repeat these disclosures.

8.4 Changes in Accounting Estimates

A change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors. When it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as a change in an accounting estimate.

Disclosure of a change in estimate

An entity shall disclose the nature of any change in an accounting estimate and the effect of the change on assets, liabilities, income and expense for the current period. If it is practicable for the entity to estimate the effect of the change in one or more future periods, the entity shall disclose those estimates.

8.5 Prior Period Adjustments

Prior period adjustments should be accounted for in the year in which they are identified and disclosed within the notes to the accounts or, where considered necessary for fair reporting, on the face of the appropriate Statement. However, there should not be any adjustment of preceding year comparative figures or of the opening revenue account balance. This reflects the requirement to match all expenditure in the reporting period with income from general government grants and local taxpayers. An explanation should be given by way of notes to the accounts of the estimated effect on the prior year figures. This represents a departure from FRS 102 and is included in Section 15.

9. Accounting Books, Records and Control Systems

Every local authority shall keep proper accounting, books, records and control systems as set out at Appendix IV.

9.1 Maintenance of Registers

Every local authority shall keep the following registers in electronic and / or hard copy:

a. insurances
b. mortgages
c. investments
d. lands
e. charges on property
f. property plant & equipment

The information required for the individual registers is set out in Appendix V.

Section B – Accounting Standards

1. Financial Statements

1.1. Financial Statements

The objective of financial statements is to provide information about the financial position, financial performance and cash flows of an authority that is useful to a wide range of users in making and evaluating decisions about the allocation of resources. Specifically, the objectives of financial reporting in the public sector should be to provide information useful for decision making, and to demonstrate the accountability of the authority for the resources entrusted to it.

1.2. Complete Set of Financial statements

A complete set of financial statements comprises:

a. Statement of comprehensive income (Income and Expenditure Account) for the period

b. Statement of financial position (Balance Sheet) as at the end of the period

c. Statement of Funds Flows (Funds Flow Statement) for the period, and

d. Notes, comprising a summary of significant accounting policies and other explanatory information

Financial statements shall give a fair presentation of the financial position, financial performance and funds flow of an authority. A fair presentation requires the accurate representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the ACOP. Compliance with the ACOP is presumed to result in financial statements that achieve a fair presentation.

The form and content of the AFS as at the time of publication of the ACOP, are set out in Appendix I. The Minister for Housing, Planning and Local Government will specify all future changes to the format and these changes will be included in the ACOP.

The format must be structured as follows:

- Financial review
- Certificate of Chief Executive & Head of Finance
- Audit Opinion
- Statement of Accounting Policies
- Financial accounts
- Appendices

1.3. Structure and Content of Financial Statements

A local authority shall clearly identify the financial statements and distinguish them from other information published in the same document.

An entity shall clearly identify each financial statement and the notes. In addition, a local authority shall display the following information prominently, and repeat it when necessary for the information presented to be understandable:

a. the name of the authority
b. the date of the end of the reporting period or the period covered by the set of financial statements or notes, and
c. the level of rounding used in presenting amounts in the financial statements.

1.4. Publication

The accounting year will end on the 31st of December and the AFS should be prepared and submitted to the Department of Housing, Planning and Local Government by 31st March of the year following the end of the accounting year. The statements should be grouped together where possible, and published with an audit opinion or certificate. If the published AFS has not been audited, this should be stated clearly on the front of the document – Draft Unaudited.

1.5. Recognition of Income and Expenditure in the Financial Statements

The following sets out the basis for recognition of specific income and expenditure in the Financial Statements

1.5.1 Income

Income in the form of sales, fees, charges, rents, rates, loan repayments, interest earned and the recoupment of grants should be accrued and accounted for in the period to which it relates.

1.5.2 Expenditure on Goods and Services

Supplies should be charged as they are consumed; services should be charged as they are rendered. Proper accrual should be made for items received but not yet paid for before the year-end.

1.5.3 Loan Charges

Loan charges can be divided into mortgage and non-mortgage loans.

In respect of mortgage related loans only the interest element payable and receivable is included in the Statement of Comprehensive Income (Income & Expenditure Statement). In respect of non-mortgage loans both the principal and interest payable is charged to the Statement of Comprehensive Income (Income & Expenditure Statement). See paragraph 15.3 in section 15 Departures from Generally Accepted Accounting Principles.

1.6. Foreign Currency Translation

Income and expenditure arising from a transaction denominated in a foreign currency should be translated into Euro at the exchange rate in operation on the date on which the transaction occurred; if the rates do not fluctuate significantly, an average rate for a period may be used as an approximation. Where the transaction is to be settled at a contracted rate, that rate should be used.

At each Statement of Financial Position (Balance Sheet) date, monetary assets and liabilities denominated in a foreign currency should be translated by using the closing rate or, where appropriate, the rates of exchange fixed under the terms of the relevant transactions.

1.7. Operation of Fund Accounts

Separate accounts must be maintained for each community fund and gifts as outlined under Section 109 and 228 of the Local Government Act, 2001.

2. Leases

2.1. Operating Leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Rent payable under operating leases should be charged to revenue on a straight-line basis over the term of the lease, even if the payments are not made on such a basis, unless another systematic and rational basis is more appropriate.

Any benefits received and receivable by lessee as an incentive to sign the lease should be spread by the lessee on a straight-line basis.

2.2. Finance Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

Finance leases must be treated like assets funded through borrowing, with repayments charged to the appropriate service in the revenue account, and the asset dealt with as with all other assets acquired. Rental payments under finance leases should be apportioned between the finance charge and the reduction in the outstanding obligation with the finance charge being allocated and charged to revenue over the term of the lease. Any benefits received and receivable by the lessee, as an incentive to sign the lease should be spread by the lessee on a straight line basis.

2.3. Lease Classification – Examples and Situations

Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Indicators and examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

a. the lease transfers ownership of the asset to the lessee by the end of the lease term;

b. the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;

c. the lease term is for the major part of the economic life of the asset even if title is not transferred;

d. at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and

e. the leased assets are of such a specialised nature that only the lessee can use them without major modifications;

Indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease are:

a. if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;

b. gains or losses from the fluctuation in the residual value of the leased asset accrue to the lessee (eg in the form of a rent rebate equalling most of the sales proceeds at the end of the lease); and

c. the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

The examples above are not always conclusive. If it is clear from other features that the lease does **not** transfer substantially all risks and rewards incidental to ownership, the lease is classified as an operating lease. For example, this may be the case if ownership of the asset is transferred to the lessee at the end of the lease for a variable payment equal to the asset's then fair value, or if there are contingent rents, as a result of which the lessee does not have substantially all risks and rewards incidental to ownership.

Lease classification is made at the inception of the lease and is not changed during the term of the lease unless the lessee and the lessor agree to change the provisions of the lease (other than simply by renewing the lease), in which case the lease classification shall be re-evaluated.

3. Reserves, Provisions and Contingencies

3.1. Provisions

A provision is a liability of uncertain timing or amount. Provisions are distinguished from liabilities such as trade creditors and accruals. This is on the basis that for a provision there is uncertainty about the timing or amount of future expenditure.

Provisions are required for any liability, which is likely to be incurred, or certain to be incurred, but uncertain as to the amount or the date on which it will arise.

A provision should be recognised as a liability in a financial statement when the following three conditions are met;

a. An entity has a present obligation as a result of a past event;

b. It is probable that a transfer of economic benefits will be required to settle the obligation;

c. A reliable estimate can be made of the obligation.

All other transfers falling outside the definition of a provision should be considered as a reserve. See Section 3.2

A provision must only be created when a liability clearly exists.

3.2. Reserves

Amounts set aside for purposes falling outside the definition of provisions should be considered as reserves. Transfers to and from reserves should be shown after the determination of the surplus/deficit for the year. Expenditure should not be charged direct to any reserve. For each reserve established, the purpose, usage and the basis of transactions should be clearly identified. This should include resources set aside for purposes such as general contingencies and cash flow management.

Balances relating to Specified Reserves cannot be transferred to the General Reserve.

3.2.1 Creation of a Specific Reserve for inclusion in the Statement of Financial Position (Balance Sheet)

In the following circumstances a local authority may create a specific reserve for inclusion in the Statement of Financial Position (Balance Sheet)

a. Amounts Specifically Provided in the Budget

If an amount has been provided for in the budget (i.e. identified as a separate project) and remains unspent at the year-end, the amount unspent may be transferred from the Statement of Comprehensive Income (Income and Expenditure Account) to a specific reserve in the Statement of Financial Position (Balance Sheet). These transfers should not include amounts included under a general expenditure classification in the estimates and that remain unspent.

b. Amounts Set Aside by Resolution of the Council

Amounts may be set aside by specific resolution of the council to be expended on specific projects in future years. These amounts must be transferred to a specified revenue reserve.

3.2.2 Impact on Revenue Account Balance

Before a transfer is made to reserves the Head of Finance should take account of the impact on the revenue account balance. **After making transfers as provided in the adopted budget, a local authority should not make any further transfers that will result in the creation of a deficit for the year.**

3.2.3 Specific Reserves

Specific Reserves can only be used for the purposes for which they were created. However when these reserves are not used for their original purpose, having been created from the revenue account, they must be re-assigned to the revenue account.

3.3. Contingencies

A contingent liability is either a possible but uncertain obligation or a present obligation that is not recognised because it fails to meet one or both of the conditions for recognising a provision i.e. (a) it is probable (i.e. more likely than not) that the entity will be required to transfer economic benefits in settlement; and (b) the amount of the obligation can be estimated reliably. An entity shall not recognise a contingent liability as a liability, except for provisions for contingent liabilities of an acquiree in a business combination.

Disclosure of a contingent liability is required unless the possibility of an outflow of resources is remote. When an entity is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability.

An entity shall not recognise a contingent asset as an asset. Disclosure of a contingent asset is only required when an inflow of economic benefits is probable. However, when the flow of future economic benefits to the entity is virtually certain, then the related asset is not a contingent asset, and its recognition is appropriate.

Contingencies existing at the Statement of Financial Position (Balance Sheet) date should be taken into consideration when preparing the financial statements. The treatment of a contingency existing at the Statement of Financial Position (Balance Sheet) date is determined by its expected outcome. Contingent losses should be accrued in the accounting statements where it is probable that a future event will confirm a loss which can be estimated with reasonable accuracy at the date on which the AFS is signed and dated. Contingent gains should not be accrued in the accounting statements; this complies with the prudence concept.

Where a material contingency is not provided for in the accounts it should be disclosed by way of a note in order to ensure that the accounting statements do not present a misleading position. Such disclosures should indicate the nature of the contingency, the uncertainties which are expected to affect the ultimate outcome and either a prudent estimate of the financial effect or a statement that it is not practicable to make such an estimate.

3.4. Insurance Premiums

A note on the AFS should state clearly the accounting policies for the treatment of insurance claims. Where an insurance fund is created it should state if it is based on an actuarial valuation. Where claims are not covered by a fund or the fund is not sufficient to meet liabilities, a provision should be created based on the individual circumstances and with reference to the authority's overall history and likely experience of settlement. The accounting treatment is as follows:

If the prospect of settlement is	**Accounting treatment**
Remote	no disclosure on the financial statements
Possible or probable	disclosure in the notes to the account
Highly probable	provide for in the financial statements

4. Capital Contract Commitments

4.1. Capital Contract Commitments

Authorities may make commitments to provide cash or other resources to other entities. In such a case, it is necessary to determine whether the commitment should be recognised as a liability. The definition of a liability requires that there be a present obligation, and not merely an expectation of a future outflow.

A general statement that the entity intends to provide resources to certain classes of potential beneficiaries in accordance with its objectives does not in itself give rise to a liability, as the entity may amend or withdraw its policy, and potential beneficiaries do not have the ability to insist on their fulfilment. Similarly, a promise to provide cash conditional on the receipt of future income in itself may not give rise to a liability where the entity cannot be required to fulfil it if the future income is not received and it is probable that the economic benefits will not be transferred.

A liability is recognised only for a commitment that gives the recipient a valid expectation that payment will be made and from which the grantor cannot realistically withdraw. One of the implications of this is that a liability only exists where the commitment has been communicated to the recipient.

Commitments are not recognised if they are subject to performance-related conditions. In such a case, the entity is required to fulfil its commitment only when the performance-related conditions are met and no liability exists until that time.

4.2. Disclosure of Commitments

For funding commitments that are not recognised, it is important that full and informative disclosures are made of their existence and of the sources of funding for these unrecognised commitments.

4.3. Commencement Date

This standard is to be commenced from periods ending 31/12/2018.

5. Property, Plant & Equipment

5.1. Property, Plant & Equipment Categories

Property, Plant and Equipment can be categorised as follows:

Infrastructure Assets	These assets are unique to local authorities and include roads.
Operational Assets	Assets used in the direct delivery of services and include • land, buildings and housing, • plant and machinery, • computers, furniture and equipment
Community Assets	Assets intended to be held in perpetuity, may have no determinable finite useful life and may have restrictions on disposal. They may include • Heritage assets • Parks
Non-operational Assets	Held by a local authority but not directly consumed in the delivery of services e.g. investment property, surplus assets.

5.2. Accounting for Property, Plant and Equipment

5.2.1 Valuation of Historical Assets

Assets owned by Local Authorities prior to 2003 were valued in the AFS based on Guidelines issued by the Department at that date.

5.2.2 Recognition of Property, Plant and Equipment Expenditure

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment should be capitalised on an accruals basis. Expenditure on the acquisition of a tangible asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, should be capitalised and be classified as a property, plant and equipment, provided that the property, plant and equipment yields benefits to the authority and the services it provides for a period of more than one year. Guidelines in relation to capitalisation thresholds are set out in the accounting manual.

Expenditure that should be capitalised will include the:

- acquisition, reclamation, enhancement or development of land;
- acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;
- acquisition, installation or replacement of movable or immovable plant, machinery, apparatus and vehicles;
- preparation and construction of new road infrastructure.

In this context, enhancement means the carrying out of works which are intended to;

- lengthen substantially the useful life of the asset; or
- increase substantially the open market value of the asset; or
- increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with the functions of the local authority concerned, for example, increasing capacity

Ordinary maintenance to buildings, including painting and decorating does not constitute an enhancement.

Assets acquired under finance leases should be capitalised and included together with a liability to pay future rentals.

Where property, plant and equipment is acquired for other than a cash consideration the asset should be recognised and included in the Statement of Financial Position (Balance Sheet) at fair value. Where property, plant and equipment is acquired but the payment is deferred the asset should be included in the Statement of Financial Position (Balance Sheet) and the corresponding liability recognised in the accounts.

Where there is no reasonable belief that expenditure incurred under deferred charges will be recouped, such expenditure should be written off to the revenue account over a period, in a consistent and prudent manner. The period for writing off such expenditure will reflect the age and the amount of expenditure related to the revenue budget of authorities.

Where property, plant and equipment is included in the Statement of Financial Position (Balance Sheet) at current value , the difference between the value and the amount at which that asset was included in the Statement of Financial Position (Balance Sheet) immediately prior to the latest valuation should be credited or debited to a property, plant and equipment capitalisation account.

It is policy to show property, plant and equipment constructed / acquired since 2003 at cost. Maintenance and enhancement costs associated with Infrastructure assets are not currently included in Property Plant and Equipment. Due to their physical nature the vast majority of assets are unique to local authorities and are not subject to disposal. Any loss or gain associated with the net realisable value of the remaining general assets subject to disposal, are accounted for at time of disposal.

5.3. Disposals

Proceeds from the disposal of property, plant and equipment should be credited or debited to capital reserve, and accounted for on an accruals basis. The proceeds from disposals should, in accordance with standard and prudent accounting practice, be applied in either the purchase or construction of capital type assets.

Where an asset is disposed of for other than a cash consideration, or payment is deferred, an equivalent asset should be recognised and included in the Statement of Financial Position (Balance Sheet) at its fair value (e.g. land swaps)

Upon disposal, the net book value of the asset disposed of should be written off against the property, plant and equipment capitalisation account.

5.4. Depreciation

Depreciation should normally be charged as an expense to the cost of operations i.e. in the Statement of Comprehensive Income (Income & Expenditure Account). Whilst most assets are subject to depreciation, the accounting treatment adopted results in a nil impact on the Statement of Comprehensive Income (Income & Expenditure Account). Consequently whilst assets are depreciated the charge is not reflected in the Statement of Comprehensive Income (Income & Expenditure Account). Depreciation should be provided for on Property, Plant and Equipment with a finite useful life, which can be determined at the time of acquisition or revaluation.

The cost or revalued amount less estimated residual value of assets should be written down over the assets expected useful life. The most appropriate methods for depreciation for different categories of assets are set out in the accounting policy section of the AFS.

Asset Type	**Bases**	**Depreciation Rate**
Land		Nil
Parks	S/L	2%
Housing		Nil
Buildings		Nil
Plant & Machinery		
- Long life	S/L	10%
- Short life	S/L	20%
Computers, Furniture & Equipment	S/L	20%
Heritage		Nil
Roads & Infrastructure		Nil
Water Assets		
- Water schemes	S/L	Asset life over 70 years
- Drainage schemes	S/L	Asset life over 50 years

Depreciation should not normally be provided for freehold land (whether operational or non-operational) or for non-operational investment properties. However, freehold land should be depreciated where it is subject to depletion, for example, quarries and land-fill sites.

Depreciation should be based on the amount at which the asset is included in the Statement of Financial Position (Balance Sheet), whether net current replacement cost or historical cost.

6. Inventory

6.1. Inventory

Inventory should be included in the Statement of Financial Position (Balance Sheet) at the lower of average cost and net realisable value of inventory. Cost to be calculated on the basis of weighted average cost or on a first in first out basis (FIFO).

6.2. Work in Progress

Property, Plant and Equipment under construction should be shown at cost as Work in Progress in the Statement of Financial Position. Contract costs are only included to the extent of the goods or services invoiced or the work certified as having been carried out.

7. Government Grants

7.1. Government Grants

Government grants or other contributions should be accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

There are three types of grants relevant to the local government sector.

a. General Revenue Grants

b. Specific Revenue Grants

c. Capital Grants

Grants relating to revenue should be expended in the year in which they are received and shall be recognised as income on a systematic basis over the periods in which the entity recognises the related costs for which the grant is intended to compensate. A grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognised in income in the period in which it becomes receivable.

Recognition and measurement

State grants (including non-monetary grants) are recognised when there is reasonable assurance that:

a. the authority will comply with the conditions attaching to the grant; and

b. the grant will be received.

Non cash grants are measured at the fair value of the asset received or receivable.

Where a grant becomes repayable it is recognised as a liability when the repayment meets the definition of a liability.

7.2. Disclosures

An entity shall disclose the following:

a. the accounting policy adopted for grants (i.e. Accruals Method);

b. the nature and amounts of grants recognised in the financial statements; and

c. unfulfilled conditions and other contingencies attaching to grants that have been recognised in income.

8. Post-Employment Benefits - Pensions

8.1. Pensions

Local Authorities in Ireland similar to central government departments operate and are governed by the state defined benefit scheme. Payments in respect of pensions and gratuities are treated as current expenditure and are charged to the revenue account in the accounting period in which the payments are made. Pension contributions from employees are treated as part of current receipts. The cost of salaries and wages in the accounts includes deductions in respect of superannuation (including Widows and Orphans) benefits. Such deductions are credited as receipts to the Statement of Comprehensive Income (Income & Expenditure Account). The Single Public Service Pension Scheme ("Single Scheme") commenced with effect from 1 January 2013. Employee contributions for the Single Scheme continue to be deducted by local authorities but are remitted centrally to DPER. The liability for the payment of pension benefits rests with the relevant Local Authority as set out in Section 31 of the Public Service Pensions (Single Scheme and Other Provisions) Act 2012.'

This represents a departure from generally accepted accounting principles. The accounts do not reflect the true cost of pensions or the future potential liabilities and therefore local authorities should include a statement outlining their policy in the notes to the AFS. The requirements of current accounting standards relating to pensions and their application to local authority accounting remains under consideration at central government level.

The Annual Financial Statements must include a disclosure note in relation to this Employee Benefits policy.

9. Events after the End of the Reporting Year

9.1. Events after the End of the Reporting Year

Where a material event after the end of the reporting year occurs which:

a. provides additional evidence relating to conditions existing at the Statement of Financial Position (Balance Sheet) date (i.e. adjusting event); or,

b. indicates that the application of the going concern concept to a material part of the authority is not appropriate

changes should be made in the amounts to be included in the AFS.

The occurrence of a material event after the end of the reporting year which concerns conditions which did not exist at the Statement of Financial Position (Balance Sheet) date (i.e. non-adjusting event) should be disclosed. The disclosure should state the nature of the event and, where possible, an estimate of the financial effect of the event.

10. Investments in Subsidiaries

10.1. Subsidiary Defined

A subsidiary is an entity that is controlled by its parent. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

10.2. Control

Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. That presumption may be overcome in exceptional circumstances if it can be clearly demonstrated that such ownership does not constitute control. Control also exists when the parent owns half or less of the voting power of an entity but has:

a. power over more than half of the voting rights by virtue of an agreement with other investors;

b. power to govern the financial and operating policies of the entity under a statute or an agreement;

c. power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or

d. power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

Control can also be achieved by having options or convertible instruments that are currently exercisable or by having an agent with the ability to direct the activities for the benefit of the controlling entity.

Control can also exist when the parent has the power to exercise, or actually exercises, dominant influence or control over the undertaking or it and the undertaking are managed on a unified basis.

10.3. Requirement to present consolidated financial Statements

Consolidation should occur if the following materiality limit is met:

- the income or expenditure represents 5% or more of the income or expenditure of the parent company

A subsidiary excluded from consolidation on the grounds of the materiality limit set out above shall be measured using an accounting policy selected by the parent, except where the parent still exercises a significant influence over the subsidiary. If this is the case, the parent should treat the subsidiary as an associate using the equity method set out in paragraph section 11.2 of this ACOP.

A subsidiary should not be excluded from consolidation because its business activities are dissimilar to those of the other entities within the consolidation. Relevant information is provided by consolidating such subsidiaries and disclosing additional information in the consolidated financial statements about the different business activities of subsidiaries. A subsidiary should not be excluded from consolidation because the information necessary for the preparation of consolidated financial statements cannot be obtained without disproportionate expense or undue delay, unless its inclusion is not material (individually or collectively for more than one subsidiary) for the purposes of giving a true and fair view in the context of the group.

10.4. Disclosures in consolidated financial statements

The following disclosures shall be made in consolidated financial statements:

a. the fact that the statements are consolidated financial statements;

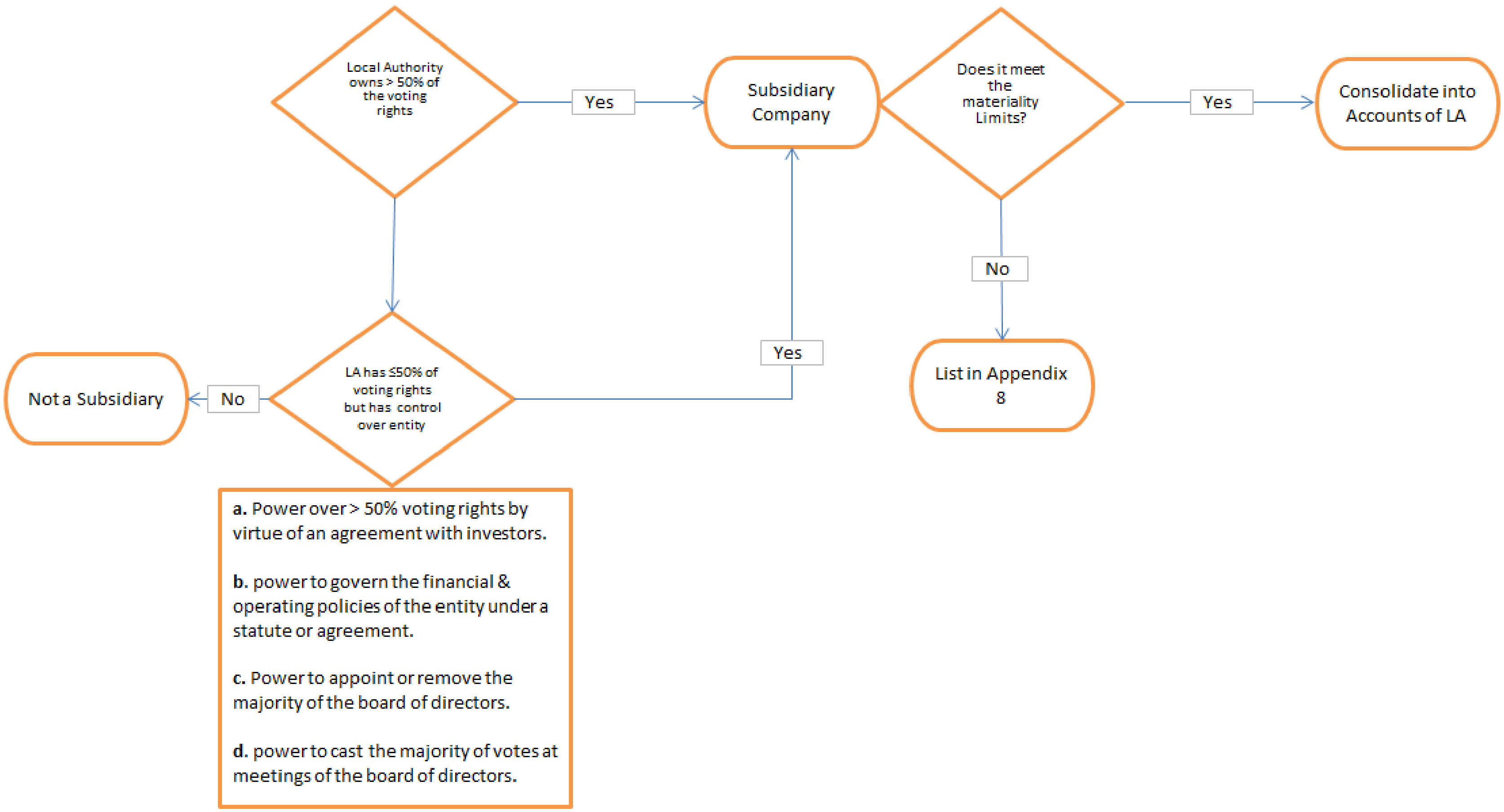
b. the basis for concluding that control exists when the parent does not own, directly or indirectly through subsidiaries, more than half of the voting power;

c. any difference in the reporting date of the financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements;

d. the nature and extent of any significant restrictions (eg resulting from borrowing arrangements or regulatory requirements) on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans; and

e. the name of any subsidiary excluded from consolidation and the reason for exclusion.

10.5. Subsidiary Company Decision Tree



11. Investments in Associates

11.1. Associates Defined

An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Significant influence is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control over those policies.

a. If an investor holds, directly or indirectly (e.g. through subsidiaries), 20 per cent or more of the voting power of the associate, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case.

b. Conversely, if the investor holds, directly or indirectly (e.g. through subsidiaries), less than 20 per cent of the voting power of the associate, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated.

c. A substantial or majority ownership by another investor does not preclude an investor from having significant influence.

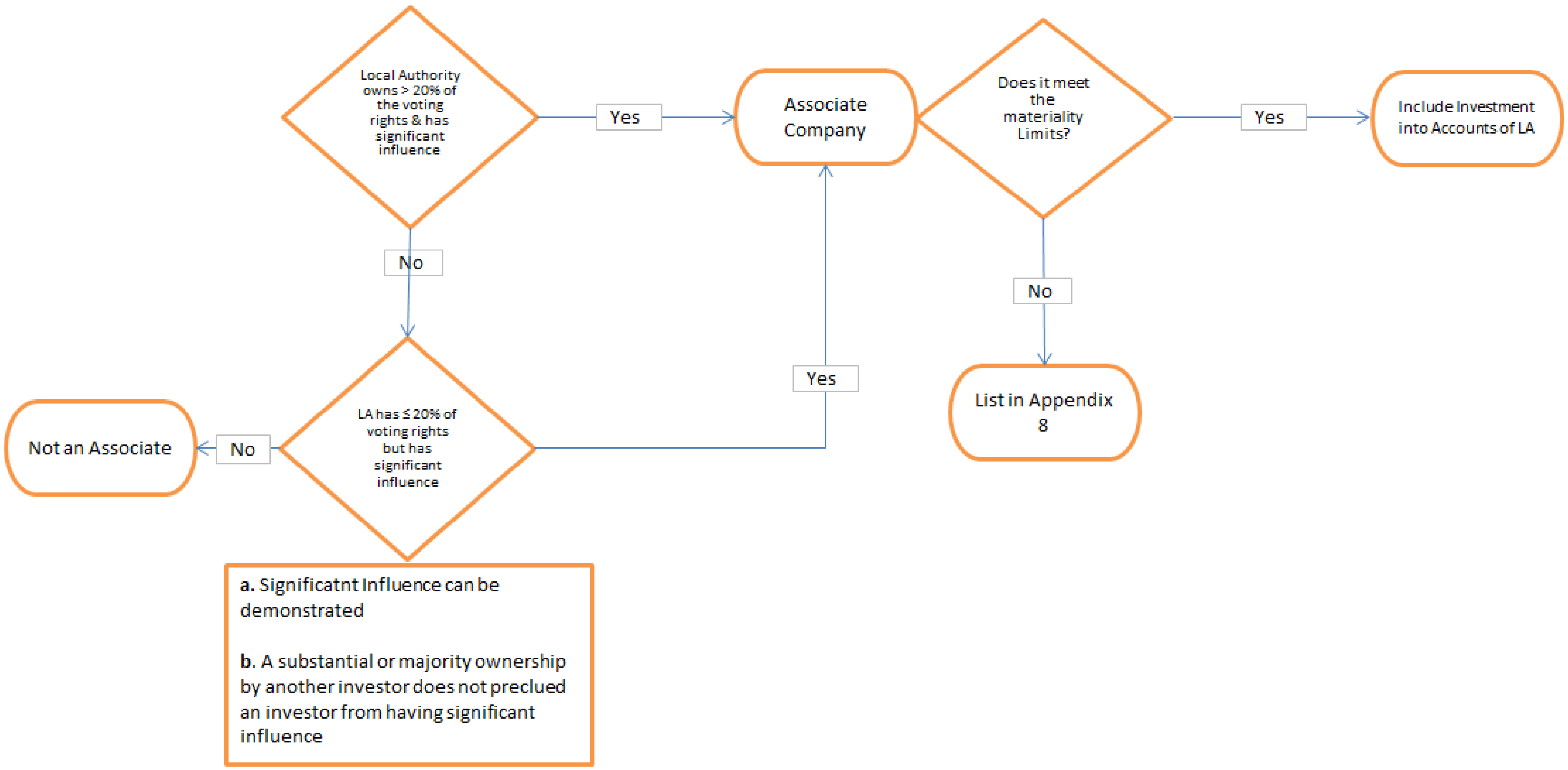
11.2. Equity method

Under the equity method of accounting, an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the associate, i.e. the Local Authority share of accumulated profits or losses.

11.3. Presentation in individual and consolidated financial statements

Unless otherwise required, an investor shall classify an investment in an associate as an asset and it will be shown in note 3 of the AFS.

11.4. Associate Company Decision Tree



12. Investments in Joint Ventures

12.1. Joint Ventures Defined

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint ventures can take the form of jointly controlled operations, jointly controlled assets, or jointly controlled entities.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

12.2. Jointly controlled operations

The operation of some joint ventures involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or, or financial structure that is separate from the venturers themselves. Each venturer uses its own property, plant and equipment and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations. The joint venture activities may be carried out by the venturer's employees alongside the venturer's similar activities. The joint venture agreement usually provides a means by which the revenue from the sale of the joint product and any expenses incurred in common are shared among the venturers.

In respect of its interests in jointly controlled operations, a venturer shall recognise in its financial statements:

a. the assets that it controls and the liabilities that it incurs; and
b. the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

12.3. Jointly controlled assets

Some joint ventures involve the joint control, and often the joint ownership, by the venturers of one or more assets contributed to, or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture.

In respect of its interest in a jointly controlled asset, a venturer shall recognise in its financial statements:

a. its share of the jointly controlled assets, classified according to the nature of the assets;
b. any liabilities that it has incurred;
c. its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;
d. any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
e. any expenses that it has incurred in respect of its interest in the joint venture.

12.4. Jointly controlled entities

A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity.

12.5. Equity method

A venturer shall measure its investments in jointly controlled entities by the equity method. Under the equity method of accounting, an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the joint venture.

12.6. Transactions between a venturer and a joint venture

When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction. While the assets are retained by the joint venture, and provided the venturer has transferred the significant risks and rewards of ownership, the venturer shall recognise only that portion of the gain or loss that is attributable to the interests of the other venturers. The venturer shall recognise the full amount of any loss when the contribution or sale provides evidence of an impairment loss.

When a venturer purchases assets from a joint venture, the venturer shall not recognise its share of the profits of the joint venture from the transaction until it resells the assets to an independent party. A venturer shall recognise its share of the losses resulting from these transactions in the same way as profits except that losses shall be recognised immediately when they represent an impairment loss.

12.7. If investor does not have joint control

An investor in a joint venture that does not have joint control shall account for that investment in accordance with accounting for financial instruments if it has significant influence in the joint venture, in accordance with Section 12 Investments in Associates.

12.8. Disclosures in individual and consolidated financial statements

The financial statements shall disclose the following:

a. the accounting policy for recognising investments in jointly controlled entities;

b. the carrying amount of investments in jointly controlled entities;

c. the fair value of investments in jointly controlled entities accounted for using the equity method for which there are published price quotations; and

d. the aggregate amount of its commitments relating to joint ventures, including its share in the capital commitments that have been incurred jointly with other venturers, as well as its share of the capital commitments of the joint ventures themselves.

For jointly controlled entities accounted for in accordance with the equity method, the venturer shall disclose separately its share of the profit or loss of such investments and its share of any discontinued operations of such jointly controlled entities.

13. Basic Financial Instruments

13.1. Basic Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

An entity shall account for the following financial instruments as basic financial instruments:

a. cash;

b. a debt instrument (such as an account, note, or loan receivable or payable);

c. commitments to receive or make a loan to another entity that cannot be settled net in cash; and

d. an investment in non-convertible preference shares and non-puttable ordinary shares or preference shares.

Examples of financial instruments include:

a. cash;

b. demand and fixed-term deposits when the entity is the depositor, e.g. bank accounts;

c. commercial paper and commercial bills held;

d. accounts, notes and loans receivable and payable;

e. bonds and similar debt instruments;

f. investments in non-convertible preference shares and non-puttable ordinary and preference shares; and

g. commitments to receive a loan and commitments to make a loan to another entity

13.2. Initial recognition of financial assets and liabilities

An entity shall recognise a financial asset or a financial liability only when the entity becomes a party to the contractual provisions of the instrument.

13.3. Initial measurement

When a financial asset or financial liability is recognised initially, an entity shall measure it at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction. A financing transaction may take place in connection with the sale of goods or services, for example, if payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate. If the arrangement constitutes a financing transaction, the entity shall measure the financial asset or financial liability at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

14. Related Party Disclosures

14.1. Related Party Defined

A related party is a person or entity that is related to the entity that is preparing its financial statements (the reporting entity).

a. A person or a close member of that person's family is related to a reporting entity if that person:

   a. has control or joint control over the reporting entity;

   b. has significant influence over the reporting entity; or

   c. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b. An entity is related to a reporting entity if any of the following conditions apply:

   a. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   b. one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   c. both entities are joint ventures of the same third party.

   d. one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

   e. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

   f. the entity is controlled or jointly controlled by a person identified in (a).

   g. a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

In considering each possible related party relationship, an entity shall assess the substance of the relationship and not merely the legal form.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture. Therefore, for example, an associate's subsidiary and the investor that has significant influence over the associate are related to each other.

14.2. Disclosure of parent-subsidiary relationships

Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been related party transactions. An entity shall disclose the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces financial statements available for public use, the name of the next most senior parent that does so (if any) shall also be disclosed. Local Authority interests in companies and joint ventures are disclosed in Appendix 8 to the Annual Financial Statements. (See Appendix III for a copy of Appendix 8)

14.3. Disclosure of related party transactions

A related party transaction is a transfer of resources, services or obligations between the local authority and a related party. The main related parties for a local authority include the following:

i. Management and Personnel

ii. Council members

iii. Government Departments

iv. Local Authority Companies

Local Authority council members and key personnel are bound under the relevant sections of the Local Government Act 2001 and subsequent amending legislation to:

a. furnish an annual declaration of 'declarable interests' set out in section 175 of the Act;

b. disclose under sections 167, 178 and 179 any beneficial interests that they or a connected person has; and

c. follow a code of conduct issued by the Minister for the Environment, Community and Local Government under section 169 of the Local Government Act 2001 in 2004.

'Declarable interests' cover both financial and certain other interests such as land etc.

Local authority management and personnel salary and remuneration is determined by the Department of Housing, Planning and Local Government in line with central government policy on rates of pay.

Local Authority interests in companies and joint ventures are disclosed in Appendix 8 to the Annual Financial Statements.

Local Authority transactions with government departments are governed by central government controls and procedures driven by government accounting rules.'

14.4. Related Party Transaction Examples

The following are examples or what are classed as related party 'declarable interests' under section 175 of the Local Government Act 2001.

a. any profession, business or occupation of dealing in or developing land

b. any other paid employment or occupation

c. any interest in land within the State including any contract for sale or purchase of land or any option to do so

d. any business of dealing in or developing land by a company or other body of which the person concerned, or any nominee of the person, is a member

e. shares or investments over €12,697.38 in any company or enterprise

f. a directorship or shadow directorship of any company

g. a gift including foreign travel facilities but excluding gifts from a relative or friend for personal reasons of gifts less than €634.87

h. property or a service supplied or lent at less than commercial rates or free of charge, where the commercial price / consideration was more than €634.87

i. a contract or contracts worth more than €6,348.69 for supply of services or goods to a local authority with which the person was any way concerned, directly or indirectly

j. a paid position of political advisor, consultant or lobbyist

k. any other interest set out in the regulations by the Minister

l. any other interest which the person wishes to volunteer.

This standard is to be commenced from periods ending 31/12/2016.

15. Departures from Generally Accepted Accounting Principles

In this section the local authority accounting code of practice departures from generally accepted accounting principles are outlined. These include:

- Development Contributions
- Assets, Capitalisation Account and Depreciation
- Loan Charges
- Transfers to Reserves
- Post-Employment Benefits
- Prior Period Adjustments
- Related Parties
- Subsidiary, Associate & Joint Venture Companies
- Funds Flow

15.1. Development Contributions

Development contributions are charges on new developments to fund the carrying out of works by the local authority on the infrastructure to facilitate the planned development e.g. water and sewerage, roads and car parks. These charges are set at the planning permission stage but are not collectable by the local authority until the development work commences. Commencement notices are issued by the developer to the local authority and these generally trigger the raising of the charge. The normal practice was for the developer to issue a commencement notice for all units in the development at the construction start date and this would mean that the full development charges are due immediately. In some cases a phased payment plan is agreed with the developer and in others commencement notices are issued for blocks of units on a piecemeal basis.

In order to avoid inconsistencies in recognising income and the raising of invoices that would be unlikely to be collected in the near future, a pragmatic approach to the accounting for income has been adopted i.e.

- When a commencement notice is received all related contributions are initially treated as income and a debtor is raised
- Income from development contributions not due to be paid within the current year is deferred and not separately disclosed in the financial statements.
- Short term development levy debtors are included in Trade Debtors (note 5 to the AFS).

15.2. Assets, Capitalisation Account and Depreciation

The cost of local authority assets are generally funded by way of government grant, loan or from reserves. In order to match the funding method with the creation and amortisation of the asset, the following accounting treatment has been adopted:

- When a fixed asset is created a corresponding capitalisation account is also created
- Capitalisation account represents the funding of the asset cost i.e. government grant, loan or reserve
- The asset value is depreciated annually by reducing the cost and the corresponding capitalisation account
- The depreciation does not impact on the revenue account as the depreciation of the asset value is offset by the amortisation of the capitalisation account

The initial valuation of assets was based on valuation guidance provided to the local authorities at the time that assets were first included in the Statement of Financial Position (Balance Sheet) in 2003. Assets purchased or constructed since the original take on date are shown at cost with the exception of enhancement expenditure on existing assets.

15.3. Loan Charges

The accounting treatment of the repayment of loan principal and interest reflects the fact that some loans payable by local authorities are matched by loans repayable by borrowers to the authorities. These are referred to as mortgage loans. The accounting treatment also reflects the funding of assets.

- All interest on mortgage and non-mortgage loans is charged to the revenue account
- Principal repayments on mortgage loans are not charged to the revenue account and are funded by the repayment of principal by borrowers for loans to purchase housing units

- Principal repayments on non-mortgage loans that have no corresponding funding source from outside the local authority are charged to the revenue account "below the line" i.e. in transfers to reserves
- Where principal loan repayments are funded from capital / reserves a corresponding transfer from capital / reserves should be included in the revenue account and expenditure is shown in the capital account

15.4. Transfers to Reserves

Section 3.3 refers to the creation, nature and the use of reserves. Transfers from the revenue account to a specific capital reserve are not included as expenditure but are disclosed separately on the face of the Income and expenditure. These include:

- The principal element of certain non-mortgage loans
- Transfers for specific purposes as provided for in budget
- Discretionary transfers with the approval of the members

15.5. Post-Employment Benefits

Payments in respect of pensions and gratuities are charged to the revenue account in the accounting period in which the payments are made (See Section B paragraph 8.1 for more details). The cost of salaries and wages in the accounts includes deductions in respect of superannuation (including Widows and Orphans) benefits. Such deductions are credited as receipts to the Statement of Comprehensive Income (Income & Expenditure Account). The Single Public Service Pension Scheme ("Single Scheme") commenced with effect from 1 January 2013. Employee contributions for the Single Scheme continue to be deducted by local authorities but are remitted centrally to DPER.

Retirement Benefits and it's applicability to the Local Government Sector remains on the work programme of the General Accounts Working Group. Direction from the Department of Finance is awaited before any further progress can be made.

15.6. Prior Period Adjustments

Prior period adjustments should be accounted for in the year in which they are identified and disclosed within the notes to the accounts or, where considered necessary for fair reporting, on the face of the appropriate revenue account. However, there should not be any adjustment of preceding year comparative figures or of the opening balances of funds. This reflects the requirement to match all expenditure in the reporting period with income from general government grants and local taxpayers. An explanation should be given by way of notes to the accounts of the estimated effect on the prior year figures. This represents a departure from FRS 102.

15.7. Related Parties

Section 14 of this ACOP sets out the requirements for Related Party Disclosures. This section of the ACOP will be commenced for accounting periods ending on or after 31 December 2016.

15.8. Subsidiary, Associate & Joint Venture Companies

Sections 10, 11 & 12 of this ACOP set out the requirements for Subsidiary, Associate & Joint Venture Companies. This section of the ACOP will be commenced for accounting periods ending on or after 31 December 2018.

15.9. Funds Flow Statement

A Funds Flow statement was introduced as part of AFS 2011. While the guidance of International Accounting Standard 7 Statement of Cash Flows has been followed, the business of local authorities is substantially different to most private sector organisations and therefore some minor changes to the format have been adopted to ensure the data displayed is meaningful and useful within the local government sector. For this reason the statement is referred to as a 'Funds Flow Statement'. The financial accounts now include a funds flow statement shown after the Statement of Financial Position (Balance Sheet). Notes 17 – 22 relate to the funds flow statement and are shown in the "Notes on and forming part of the Accounts" section of the AFS. Note 19 details (Increase)/Decrease in Other Capital Balances, which can be either a debit or a credit balance. The funds flow assumes that these are debit balances and bases the (Increase)/Decrease description on this.

APPENDICES

Appendix I - Format of Annual Financial Statement

The following pages contain the main components of the Annual Financial Statement

a. Statement of Comprehensive Income (Income & Expenditure Account)

b. Statement of Financial Position (Balance Sheet)

c. Statement of Funds Flow (Funds Flow Statement).

For the format of the complete Annual Financial Statements including Accounting Policies, Notes to the Accounts and Appendices please refer to the accompanying file to this document.

Appendix II – Certificate of Chief Executive & Head of Finance

XYZ Council

Certificate of Chief Executive and Head of Finance for the year ended 31 December 2017

1.1 We the Chief Executive and Head of Finance are responsible for preparing an annual financial statement in accordance with the accounting code of practice issued by the Minister under section 107 of the Local Government Act, 2001.

1.2 We are responsible for maintaining proper books of account that disclose with reasonable accuracy the financial position of the local authority and enable it to ensure that financial statements prepared comply with the statutory requirements.

1.3 We are responsible for the safeguarding of assets of the local authority and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

1.4 When preparing financial statements we have:

- stated that the financial statements have been prepared in accordance with the Accounting Code of Practice and the accounting policies have been applied consistently; and,
- made judgments and estimates that are reasonable and prudent.

1.5 We certify that the financial statements of XYZ Council for the year ended 31 December 2017, as set out on pages __ to __, are in agreement with the books of account and have been prepared in accordance with the accounting requirements as directed by the Minister for Housing, Planning and Local Government.

Chief Executive	**Head of Finance**
Date	**Date**

APPENDIX 8

INTEREST OF LOCAL AUTHORITY IN COMPANIES AND JOINT VENTURES

Where a local authority as acorporate body or its members or officers, by virtue of their office, have on interest in a company (controlled, jointly controlled and associated), the following disclosures should be made for each entity

Name of Company or Entity	Voting Power %	Classification: Subsidiary / Associate / Joint Venture	Total Assets	Total Liabilities	Revenue Income	Revenue Expenditure	Cumulative Surplus / Deficit	Currently Consolidated Y / N	Date of Financial Statements

Appendix IV - Format of Annual Budget

Refer to relevant circulars.

Appendix V – Departmental Circulars Issued

Circular Ref	Circular Title	Description	Date Issued
Fin 01/2017	**Reporting Update to Department of Finance – Report of Current & Capital, Income & Expenditure 2016 & 2017**	• Requires that each local authority provide a report to the Department setting out its preliminary estimate of current and capital income and expenditure for 2016 and the forthcoming financial year 2017.	**1/2/2017**
Fin 02/2017	**Amendment to Circular Fin 10/2016 – payment schedule**	• Updates the PRD remittance schedule outlined in Circular Fin 10/2016	**17/2/2017**
Fin 03/2017	**Reporting arrangements concerning Estimated Monthly Payroll and Superannuation Costs (2017)**	• Requirement to provide the approved pay bill for local authorities for 2017 and also provide a monthly profile of anticipated payroll and superannuation costs for 2017.	**28/2/2017**

Circular Ref	Circular Title	Description	Date Issued
Fin 04/2017	**Preparation and Submission of Annual Financial Statement (AFS) 2016 and Other Accounting Matters**	• Updates Circular Fin 11/2016	**7/4/2017**
Fin 05/2017	**Provisional Local Property Tax Allocations 2018**	Circular provides instructions on the following: • Local Retention of LPT • 2018 Baseline • Equalisation • Self-Funding • Variation • 2017 LPT Statistics and Property Valuation Bands	**21/7/2017**
Fin 06/2017	**Re: 2018 Budget meeting and other budget matters**	Circular provides instructions on the following: • Budget 2018 - Prescribed Periods • Consultation on main budget at Municipal District/local area level and Schedule of Municipal District Works • Report to the Department of Finance - Preliminary estimate of capital and current income and expenditure for the forthcoming financial year • Statutory Budget Book • Submission of budget information	**8/9/2017**

Circular Ref	Circular Title	Description	Date Issued
Fin 08/2017	**Local Property Tax Allocations 2018**	Circular provides instructions on the following: • Local Property Tax Allocation to XX Council in 2018 • Accounting treatment of LPT • LPT information to the Public	**6/10/2017**
Fin 09/2017	**Pay and PSPR Compensation 2017**	Circular provides instructions on the following: • Methodology • Accounting Treatment	**14/11/2017**
		•	

Circular Ref	Circular Title	Description	Date Issued
Fin 11 2016	Preparation and Submission of Annual Financial Statement (AFS) 2016 and Other Accounting Matters	Circular provides instructions on the following: • AFS 2016 and EU / IMF Quarterly Reports • AFS 2016 Related Decisions agreed by the General Accounts Working Group • Review & Update of the Accounting Code of Practice (ACOP)	**16 December 2016**
Fin 10 2016	Pension Related Deductions - Remittance to the Department of Housing, Planning, Community and Local Government in 2017	Circular provides instructions on the following: • Timing of the remittance of PRD to DHPCLG in 2017 • Details of the bank account which the remittances are to be sent	**30 November 2016**
Fin 09 2016	Final Lansdowne Road Agreement Compensation 2016	Circular provides instructions on the following: • Details of the final 2016 payments under the scheme • PRD returns to be completed in respect of FY 2016	**23 November 2016**

Circular Ref	Circular Title	Description	Date Issued
Fin 08 2016	Local Property Tax Allocations 2017 – Budget 2017, Self-Funding & Associated Accounting Treatment	Circular provides instructions on the following: • Budget 2016 and Accounting Treatment of LPT and Self-Funding • Budget 2017 and Accounting Treatment of LPT and Self-Funding • AFS 2016 and Accounting Treatment of LPT and Self-Funding •	**24 October 2016**
Fin 12 2015	Local Property Tax Allocations 2016 – Budget 2016, Self-Funding & Associated Accounting Treatment	Circular provides instructions on the following: • Budget 2016 and Accounting Treatment of LPT and Self-Funding • A new appendix 2 to be added to the Budget Book to show the breakdown of the full LPT allocation for information purposes	**27 October 2015**

Circular Ref	Circular Title	Description	Date Issued
		• Details of new account elements for self-funding	
Fin 07 2016	Local Property Tax Allocations 2017	Circular provides instructions on the following: • Local Property Tax allocation to XX Council in 2017 • Self-Funding requirements (where applicable) • LPT information to the Public	**20 October 2016**

Circular Ref	Circular Title	Description	Date Issued
Fin 05 2016	2017 Budget meeting and other budget matters	Circular provides instructions on the following: • Budget 2017 - Prescribed Periods • Consultation on main budget at Municipal District/local area level • General Municipal Allocation and Draft Budgetary Plan • Schedule of Municipal District Works • Reporting requirements under expenditure benchmarking process • Statutory Budget Book • Submission of budget information	**5 September 2016**
Fin 04 2016	Provisional Local Property Tax Allocations 2017	Circular provides instructions on the following: • Revised 2017 LPT Baseline to include Pension Related Deductions • Equalisation • Self-Funding • Variation of the LPT rate	**27 July 2016**
Fin 03 2016	Preparation and Submission of Annual Financial Statement (AFS) 2015 – Amendment to Appendix 7	Circular provides instructions on the following: • Background • Revisions to Appendix 7 • Chart of Account Changes	**27 January 2016**

Circular Ref	Circular Title	Description	Date Issued
Fin 15 2015	Preparation and Submission of Annual Financial Statement (AFS) 2015 and Other Accounting Matters	Circular provides instructions on the following: • AFS 2015 and EU / IMF Quarterly Reports • Changes to the AFS format as agreed by the General Accounts Working Group • Review & Update of the Accounting Code of Practice (ACOP)	**23December 2015**
Fin 12 2015	Local Property Tax Allocations 2016 – Budget 2016, Self-Funding & Associated Accounting Treatment	Circular provides instructions on the following: • Budget 2016 and Accounting Treatment of LPT and Self-Funding • A new appendix 2 to be added to the Budget Book to show the breakdown of the full LPT allocation for information purposes • Details of new account elements for self-funding	**27 October 2015**
Fin 08 2015	2016 Budget meeting and other budget matters	Circular provides instructions on the following: • Local Government (Financial and Audit Procedures) (Amendment) Regulations 2015 (S.I. 363 of2015) • Budget 2016 - Prescribed Periods • 30 September reporting of - Preliminary estimate of capital and current income and expenditure for the forthcoming financial year • Format of 2016 statutory budget book • Submission of budget information	**8 September 2015**

Circular Ref	Circular Title	Description	Date Issued
Fin 05 2015	Accounting for the recoupment of lost income from rates on water infrastructure	Circular provides instructions on the following: • Accounting treatment	**23 June 2015**
Fin 04 2015	Accounting for Development Contributions following the transfer of water services functions to Irish Water in the financial statements of the local authorities.	Circular provides instructions on the following: • Development Contributions Accounting Treatment & AFS Disclosure	**30 March 2015**
Fin 02 2015	Accounting for the transfer of water service functions to Irish Water in the financial statements of Local Authorities	Circular provides instructions on the following: • Accounting treatment & AFS disclosure • Accounting Policies • Changes to the Notes to the Accounts	**13 February 2015**
Fin 13 2014	Budget 2015 & Addition of New Subservice C08	Circular provides instructions on the following: • New Subservice • Other Matters - HAP	**29 August 2014**
Fin 11 2014	2015 Budget Meeting & Other Matters	Circular provides instructions on the following: • Prescribed Periods • 30 September report to Department - Preliminary estimate of capital and current income and expenditure for the forthcoming financial year	**11 July 2014**

Circular Ref	Circular Title	Description	Date Issued
		• Statutory Budget Book • Submission of Budget Information	
Fin 10 2014	Accounting Treatment post Unifications / Mergers and Other Matters	Circular provides guidance on the following: • County Charges and Inter authority activity between County Councils and their former Town Councils • New LA Codes • Q2 Quarterly Reports Guidance	**10 July 2014**
Fin 03 2014	Preparation Submission of AFS 2013	Circular provides wording for a disclosure note re the transfer of water services functions to Irish Water from 2014.	**26 March 2014**
Fin 07 2013	Preparation Submission of AFS 2013 and Other Accounting Matters	Circular provides instruction on the preparation and submission of AFS 2013 covering the following: • AFS 2013 and EU / IMF Quarterly Reports • AFS 2013 Related Decisions Agreed by the General Accounts Working Group a) Accounting Treatment of Affordable Housing b) Specific Revenue Reserve c) Accounting Treatment for Deferred Income d) AFS 2013 – Note 4 Stocks e) AFS 2013 Accounting Policies – 5. Pensions f) AFS 2013 Accounting Policies – 9.4 Fixed Assets Revaluation g) AFS 2013 Accounting Policies – 11. Development Debtors & Income h) AFS 2013 Accounting Policies – 17. Interest in Local Authority Companies i) AFS 2013 Accounting Policies – Irish Water j) AFS 2013 Accounting Policies – Mergers / Unifications	**20 December 2013**

Circular Ref	Circular Title	Description	Date Issued
		k) Review & Update of the Accounting Code of Practice	
Fin 04 2013	Accounting Treatment for Affordable Housing.doc	Circular provides instruction on steps to be taken to implement phase two of the accounting treatment required resulting from the change in accounting policy on affordable housing.	**4 October 2013**
Fin 01 2013	Accounting Treatment for Repossessed Dwellings	Circular provides instruction on the accounting treatment for repossessed dwellings in situations where • The local authority has forcibly repossessed; • The mortgagee has voluntarily surrendered; • The mortgagee participates in a "mortgage-to-rent" arrangement.	**27 June 2013**
Fin 14 2012	Preparation Submission of AFS 2012 and Other Accounting Matters	Circular provides instruction on the preparation and submission of AFS 2012 covering the following • AFS 2012 and EU / IMF Quarterly Reports • AFS 2012 Related Decisions Agreed by the General Accounts Working Group l) AFS 2012 Format – Note 17 m) AFS 2012 Format – Appendix 8 n) AFS 2012 Accounting Policies – 9.4 Fixed Assets Revaluation o) AFS 2012 Accounting Policies – 5. Pensions p) Accounting Treatment of Affordable Housing q) Specific Revenue Reserve r) Accounting Treatment for Deferred Income s) Review & Update of the Accounting Code of Practice	**7 December 2012**
Fin 12 2012	Prescribed Budgetary	Circular provides instruction on the 2013 Budget meeting and other	**9 November 2012**

Circular Ref	Circular Title	Description	Date Issued
	Period 2013	budget matters. • Prescribed Periods • EU "Two Pack" budget requirements • Submission of Budget information	
Fin 02 2012	Review and Update of Accounting Code of Practice	Circular issued to set out process for a review of the Accounting Code of Practice	**13 January 2013**
Fin 07 2011	Preparation Submission of AFS 2011 and Other Accounting Matters	Circular provides instruction on the preparation and submission of AFS 2011 covering the following • AFS 2011 and EU / IMF Quarterly Reports • AFS 2011 Related Decisions Agreed by the General Accounts Working Group t) AFS 2011 Accounting Policies – 9.4 Fixed Assets Revaluation u) AFS 2011 Accounting Policies – 5. Pensions v) Accounting Treatment of Affordable Housing w) Introduction of a Funds Flow Statement x) Specific Revenue Reserve y) NPPR Receipts for AFS 2011 z) Accounting Treatment for Deferred Income aa) Review & Update of the Accounting Code of Practice	**15 December 2011**
Fin 06 2011	Prescribed Budgetary Period 2012	Circular provides instruction on the 2012 Budget meeting and prescribed periods.	**24 October 2011**
Fin 01a 2011	Quarterly Reporting to the IMF, European Commission	Circular outlines requirements for Quarterly Reporting to the IMF, European Commission and the ECB	**10 February 2011**

Circular Ref	Circular Title	Description	Date Issued
	and the ECB		
Fin 01b 2011	Monthly Debt Reporting to the IMF, European Commission and the ECB	Circular outlines requirements for the Monthly Debt Reporting to the IMF, European Commission and the ECB	**10 February 2011**
Fin 12 2010	Preparation Submission of AFS 2010 and Other Accounting Matters	Circular provides instruction on the preparation and submission of AFS 2010 covering the following • Submission of AFS 2010 • Changes To AFS 2010 Required to Support Allocation of Transfers at Service Level • Monthly Running of Allocations Module • VEC Pensions • AFS 2010 Related Decisions Agreed by the General Accounts Working Group a) Minor Change to Balance Sheet Format b) NPPR Receipts for AFS 2010 c) (c) Deferred Income d) Disclosure of the Debtor / Creditor for Revenue Commissioners e) AFS 2010 Accounting Policies – 9.4 Fixed Assets Revaluation f) AFS 2010 Accounting Policies – 5. Pensions g) Accounting Treatment of Affordable Housing	**22 December 2010**
Fin 11 2010	Affordable Housing - Request for Information Questionnaire	Circular refers to a questionnaire to gather information on the status of Affordable Housing Units and their accounting treatment.	**6 December 2010**

Circular Ref	Circular Title	Description	Date Issued
Fin 09 2010	Prescribed Budgetary Period 2011	Circular provides instruction on the 2011 Budget meeting and prescribed periods.	**9 November 2010**
Fin 03 2010	GGB Control	Circular refers to the control and monitoring of local authorities contribution to the general government balance (GGB) and makes reference to the provisions of Circular Fin 03/2009 continuing to apply	**11 February 2010**
Fin 02 2010	VAT on Local Authority Services	Circular refers to the proposed changes to VAT legislation contained in the Finance Bill 2010.	**5 February 2010**
Fin 11 2009	Prescribed Budgetary Period 2010	Circular provides instruction on the 2010 Budget meeting and prescribed periods.	**12 November 2009**
Fin 10 2009	Format of Budget 2010 and Annual Financial Statement (AFS) 2009	Circular refers to the format of Budget 2010 and Annual Financial Statement 2009	**4 September 2009**
Fin 08 2009	Submission of AFS 2008 and other accounting issues	Circular refers to the submission of the AFS 2008 and other accounting issues. • Submission of AFS 2008	**20 May 2009**

Circular Ref	Circular Title	Description	Date Issued
		• Quarterly Balance Sheet Reporting • Monthly Running of Allocations Module • Agresso Authorities –Tasks On Completion of AFS 2008 • Reconciliation of WIP and Fixed Assets • Budget & Outturn Publications	
Fin 03 2009	GGB Control	Circular refers to the control and monitoring of local authorities contribution to the general government balance (GGB) including	**13 February 2009**
Fin 02 2009	Format of AFS 2008 and Other Accounting Issues	Circular refers to the format of AFS 2008 and other accounting issues • Format of AFS 2010 • Other Accounting Issues a) Work in progress & Expenditure on Historical Assets b) Accruing Grant Income c) Water Pricing Policy d) Accounting for Subsidiary / Associated Companies e) Over / Under Expenditure f) Accounting for Development Contributions g) Rollout of Planning Development Contributions h) Revaluation of Assets	**30 January 2009**
Fin 01 2009	Calculation of GGB 2008	Circular refers to the calculation of the GGB for 2008	**30 January 2009**

Appendix VI - Accounting Books, Records and Control Systems

Companies are required by law to keep proper accounts which give an accurate view of their financial affairs. The Companies (Amendment) Act (1986) - the European Communities (Companies: Group Accounts) Regulations (1992), and the European Communities (Accounts) Regulations 1993, are the main legislative texts regulating accounting issues in Ireland.

The requirement that a company keep proper books of account is contained in section 202 of the Companies Act 1990

Accounting books and records

1 Every local authority and joint body shall keep proper accounting books and records, whether in the form of documents or otherwise, that-

   a. correctly record and explain the transactions of the local authority or joint body,
   b. will at any time enable the financial position of the local authority or joint body to be determined with reasonable accuracy,
   c. will enable the manager to ensure that any Statement of Financial Position (Balance Sheet) and Statement of Comprehensive Income of the local authority or joint body complies with the requirements of the Local Government Acts.
   d. will enable the accounts of the local authority or joint body to be readily and properly audited.

2 Every local authority and joint body shall ensure that their accounting books and records are carefully and accurately kept, on a continuous and consistent basis that is to say, the entries therein shall be made in a timely manner and be consistent from one year to the next.

3 Without prejudice to the generality of paragraphs (1) and (2) , accounting books and records pursuant to those paragraphs shall contain-

a. entries from day to day of all sums of money received and expended by the local authority or joint body and the matters in respect of which the receipt and expenditure relate,

b. a record of the assets and liabilities of the local authority or joint body,

c. a record of all stores, other articles, repairs, works and services purchased by the local authority or joint body, showing the items purchased and suppliers in sufficient detail to enable the items purchased and sellers to be identified and a record of all the invoices and orders relating to such purchases.

d. a record of all items sold and services provided by the local authority or joint body showing the items sold and services provided and buyers in sufficient detail to enable the items and services provided to be identified and a record of all invoices relating to such sales and services provided.

e. statements of stock held by the local authority or joint body at the end of each financial year and all records of stocktaking from which any such statement of stock has been or is to be, prepared.

4 For the purposes of paragraphs (1), (2) and (3), proper accounting books and records shall be deemed to be kept if they comply with those subsections and present fairly the financial position of the local authority or joint body and explain its transactions.

5 A record, being a book of account required by this section to be kept, shall be preserved by the local authority or joint body concerned for a period of at least 6 years after the latest date to which it relates.

Accounting control systems

Every local authority and joint body shall ensure that accounting control systems are in place that include:-

a. measures to ensure that the financial transactions of the local authority or joint body are recorded as soon as reasonably practicable and as accurately as reasonably possible;

b. procedures to ensure that all purchases of materials, other items and services are properly authorised, recorded and approved;

c. procedures to ensure that all payments out of the funds of a local authority or joint body are properly authorised and relate to valid transactions;

d. procedures to ensure that all monies received are properly receipted, recorded and promptly lodged to the local authority' bank account;

e. procedures to ensure all monies to which the local authority is entitled to are accurately and promptly recorded;

f. measures to enable the prevention and detection of inaccuracies and fraud, and the ability to reconstitute any lost records;

g. identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions; and

h. procedures for dealing with uncollectable amounts, including authorisation procedures for the write off of bad debts.

APPENDIX VII - MAINTENANCE OF REGISTERS

Register of insurances

Every local authority and joint body shall keep a register of all insurances effected by the local authority or joint body showing in each case the risk insured against, the amount of the cover provided, the name or title of the insurer, the number of the policy, the amount of the premium, the date on which the premium becomes due and the date on which the premium is paid.

Register of mortgages

Every local authority and joint body shall keep a register of mortgages showing particulars of every loan borrowed by the local authority or joint body and details of all loan guarantees entered into.

Register of investments

When any monies are invested by a local authority or joint body in stocks, shares or similar securities the following provision shall apply,

a. a register to be called the "investment ledger " shall be kept showing the securities held by the local authority and joint body and recording every transaction in relation to such securities;

b. the value of any such securities held by the local authority and joint body at the close of a financial year should be recorded.

Register of lands

Every local authority shall keep a register of lands in which particulars shall be entered of all lands acquired or leased by the local authority before the commencement of these regulations and still held by the local authority at such commencement, and of all land acquired or leased by the local authority after such commencement.

The register of lands kept under this article shall show the following matters in respect of any particular land, that is to say:

a. the situation and area of such land;

b. the tenure on which such land is held;

c. particulars of any burdens, easements or similar matters affecting the land;

d. the location of the documents of title;

e. the date on which and the purpose for which such land was acquired or leased;

f. the consideration or compensation or rent paid in respect of such acquisition or lease;

g. the use made of such land from time to time;

In respect of any such land which is let by the local authority and is not a dwelling provided or deemed to be provided under the Housing Acts, particulars of such lettings.

Where such land is no longer held by the local authority, the date on and manner in which the local authority ceased to hold such land and the consideration (if any) paid to such local authority in respect of such land.

Register of charges on property

Whenever any sum of money owing to a local authority is a charge on any land, structure or other property, or on any estate or interest therein, such local authority shall keep a register of charges and shall enter therein the following particulars of such charge, that is to say:-

a. the amount so charged;

b. the circumstances under which such sum is owing;

c. the period within which such sum is to be repaid;

d. the rate of interest (if any);

e. the act or instrument creating such charge;

f. the situation and area of such land;

g. the estate or interest on which sum is a charge;

h. the date and amount of every payment on account of such charge.

Register of fixed assets

Every local authority shall keep a register of fixed assets, analysed and summarised by category showing the following:-

a. description of the fixed asset;

b. date and cost of acquiring the fixed asset;

c. location of the fixed asset;

d. if the fixed asset has been disposed of, the date of disposal.

The manager shall ensure that adequate procedures are in place to ensure that all fixed assets are properly safeguarded against loss, misappropriation or damage

Appendix VIII - Proposed Commencement Dates of ACOP Accounting Policies

Section Reference	Description	Commencement Date
Section B – 8	Pensions	To be agreed
Section B – 3	Contingencies	AFS 2018
Section B – 3	Capital and non-capital reserves – to be revisited	AFS 2018
Section B – 4	Commitments & Capital Contracts	AFS 2018
Section B – 10, 11 & 12	Local authority companies, associates and joint ventures	AFS 2018

Appendix IX - Annual Financial Statements – Proposed Changes

Section Reference	Description	Commencement Date
Section B – 13	Statement of Movement in Reserves	AFS 2018
Section B – 4	Statement of Commitments	AFS 2018

Appendix X - Glossary of Terms

For the purposes of the Code of Practice the following definitions have been adopted:

Accounting Policies	The specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.
Accrual Basis of Accounting	The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
Amortisation	The systematic allocation of the depreciable amount of an asset over its useful life.
Asset	A resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.
Associate	An entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that, is neither a subsidiary nor an interest in a joint venture.
Capital Expenditure	Capital expenditure is all expenditure other than depreciation and that included in the revenue account and includes expenditure relating to construction projects, including by approved housing bodies, land purchases, loans, systems development and implementation costs and reserves.
Carrying Amount	The amount at which an asset or liability is recognised in the statement of financial position.
Cash	Cash on hand and demand deposits.

Cash Equivalents	Short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.
Cash Flows	Inflows and outflows of cash and cash equivalents.
Community Assets	Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.
Consolidated Financial Statements	The financial statements of a parent and its subsidiaries presented as those of a single economic entity.
Contingency	A condition which exists at the Statement of Financial Position (Balance Sheet) date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.
Contingent Asset	A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
Contingent Liability	(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or (b) a present obligation that arises from past events but is not recognised because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability.

Control (of an entity)	The power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
Corporate and Democratic Services	The corporate and democratic services comprise all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.
Current Asset	Assets of an entity which are not intended for use on a continuing basis in the entity's activities.
Deferred Charges	Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. Examples of deferred charges are expenditure on items such as preliminary expenses on proposed capital schemes.
Depreciation	The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.
Exceptional Items	Material items which arise from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts. Example - redundancies, uninsured damage, uninsured structural failure of operational buildings, deficits arising on the settlement of uninsured claims, cost of industrial action and losses on investments.
Fair Value	The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Fair Value less costs to sell	The amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.
Financial Assets	Any asset that is: (a) cash; (b) an equity instrument of another entity; (c) a contractual right: (i) to receive cash or another financial asset from another entity, or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or (d) a contract that will or may be settled in the entity's own equity instruments and: (i) under which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or (ii) that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial Position	The relationship of the assets, liabilities and equity of an entity as reported in the statement of financial position.
Financial Statements	Structured representation of the financial position, financial performance and cash flows of an entity.
Fixed Assets	Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.
FRS 102	FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland
Going Concern	The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Statement of Financial Position (Balance Sheet) assume no intention to curtail significantly the scale of operations.
Goodwill	Future economic benefits arising from assets that are not capable of being individually identified and separately recognised.
Government Grants	Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.
Infrastructure Assets	Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.
Investments	A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the

	investment. Investments which do not meet the above criteria should be classified as current assets.
Investment Properties	Interest in land and/or buildings: in respect of which construction work and development have been completed; and which is held for its investment potential, any rental income being negotiated at arm's length.
Joint Control	The contractually agreed sharing of control over an economic activity. It exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).
Joint Venture	A contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint ventures can take the form of jointly controlled operations, jointly controlled assets, or jointly controlled entities.
Jointly Controlled Entity	A joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity.
Long-Term Contracts	A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to

	the activity of the period.
Net Book Value	The amount at which fixed assets are included in the Statement of Financial Position (Balance Sheet), i.e. their historical cost or current value less the cumulative amounts provided for depreciation. Current value can be either "net current replacement cost" or "net realisable value"
Net Current Replacement Cost	The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.
Net Realisable Value	The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.
Non-Operational Assets	Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.
Operating Leases	A lease that does not transfer substantially all the risks and rewards incidental to ownership. A lease that is not an operating lease is a finance lease.
Operational Assets	Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.
Post Statement of Financial Position (Balance Sheet) Events	Those events, both favourable and unfavourable, which occur between the Statement of Financial Position (Balance Sheet) date and the date on which the AFS is signed by the responsible financial officer.
Prior Year	material adjustments applicable to prior years arising from changes in

Adjustments	accounting policies or from the correction of fundamental errors.
Provision	A liability of uncertain timing or amount
Prudence	The inclusion of a degree of caution in the exercise of the judgements needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.
Related party transaction	A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged
Relevance	The quality of information that allows it to influence the economic decisions of users by helping them evaluate past, present or future events or confirming, or correcting, their past evaluations.
Reliability	The quality of information that makes it free from material error and bias and represents faithfully that which it either purports to represent or could reasonably be expected to represent.
Revenue Expenditure	Expenditure that has been approved by the members as part of the annual revenue budget, or by way of resolution covering additional expenditure, to be funded by means of income from divisions, commercial rates, pension related deductions and local property tax/general purpose grant. It includes costs associated with the delivery of operational services, projects, activities and with maintenance of assets.
Statement of Recommended Practice (SORP)	An extant Statement of Recommended Practice developed in accordance with SORPs: Policy and Code of Practice. SORPs recommend accounting practices for specialised industries or sectors. They supplement accounting standards and other legal and regulatory requirements in the light of the special factors prevailing or transactions undertaken in a particular industry or sector.
Statement of	Financial statement that presents all items of income and expense

comprehensive income (formerly Income & Expenditure Account Statement	recognised in a period and items of other comprehensive income.
Statement of financial position (formerly Balance Sheet)	Financial statement that presents the relationship of an entity's assets, liabilities and equity as of a specific date.
Subsidiary	An entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).
Understandability	The presentation of information in a way that makes it comprehensible by users who have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence.