

REPORT TO	ON
Governance Committee	14 March 2019

External Audit Annual



TITLE	REPORT OF
2018/19 Closure of Accounts – Approval of Accounting Policies to be included in the Statement of Accounts 2018/19	Deputy Chief Executive, Resources and Transformation (S151 Officer)

Is this report confidential?	No
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### 1. PURPOSE OF THE REPORT

To present the Statement of Accounting Policies 2018/19 for consideration and approval and provide information on the current and future accounting changes in the Code of Practice on Local Authority Accounting in the United Kingdom.

### 2. RECOMMENDATIONS

2.1 Consider and approve the Statement of Accounting Policies 2018/19 at Appendix A.

### 3. CORPORATE PRIORITIES

The report relates to the following corporate priorities

Excellence and Financial Sustainability	✓
Health and Wellbeing	
Place	

Projects relating to People in the Corporate Plan:

People	
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### 4. BACKGROUND TO THE REPORT – STATEMENT OF ACCOUNTING POLICIES 2018/19

4.1 The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom defines Accounting Policies as “the specific principles, bases, conventions, rules and practices applied by the Authority in preparing financial statements”. Accounting policies are the cornerstone of an organisation’s financial control environment, bridging the gap between technical accounting literature and business practices, explaining how we apply accounting standards in practice and what discretion we have applied in adopting accounting standards should there be any discretion available.

4.2 It is recommended by our External Auditors, considered best practice and in line with proper accounting practices that the proposed accounting policies for the year, which will form part of the published Statement of Accounts, are approved each year by the Governance Committee. Accordingly, presented at Appendix A are the Statement of Accounting Policies for 2018/19.

4.3 Accounting standards allow some flexibility in choice of methods that can be applied to a specific class of transactions. However, in order to prevent manipulation, an organisation changing its accounting policy must have a strong reason for any such change. Further, it is required to present its new financial statements as if it followed the newly adopted policy since the day it started business. In other words, accounting standards require any change in accounting policy to be presented with retrospective application. The effect of such application would be that the change will be reflected in past, present and future periods with disclosures in the accounts to show the impact of those changes.

4.4 Shared Financial Services review the accounting policies each year to consider if any changes are necessary in light of any changes in working practice, changes in the requirements of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom and any new accounting standards adopted.

4.5 Changes to the 2018/19 Statement of Accounting Policies, other than minor textual amendments are highlighted in yellow in the text in Appendix A. These changes are in respect of revised accounting requirements for:

- recognition of revenue income, and
- presentation of information in respect of investments and other financial assets.

It should be noted that the accounting policies may be subject to minor amendments between the distribution of this report and the final Statement of Accounts 2018/19, for example as a result of recommendations or findings during the external audit.

## **5. ACCOUNTING CHANGES 2018/19**

5.1 The underlying changes to accounting standards, which are incorporated into the updated CIPFA Code of Practice on Local Authority Accounting in the United Kingdom for 2018/19, are such that they will require extensive changes in practice for some organisations, in the two areas of financial instruments and revenue income recognition. However, the practical implications are more limited for local authorities in general, and particularly so where an individual council has an investment portfolio and revenue streams which are relatively straightforward. The implications for the Council's Statement of Accounts for 2018/19 are limited to relatively minor presentational changes.

## **6. FUTURE CHANGES**

6.1 The principal forthcoming change is the implementation of IFRS 16 Leases. This will see a number of assets which have not previously been included on the Balance Sheet added to it, as well as introducing more extensive disclosure requirements. It had been expected that this would have to be done for financial year 2019/20, but the decision has recently been taken to defer this to 2020/21. No significant changes are now expected in respect of 2019/20.

6.2 More information will be provided about these changes when the Statement of Accounting Policies for the years in question are brought to Governance Committee.

## **7. CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION**

7.1 No consultation was undertaken in preparing this report. The report purely relates to the technical and statutory accounting requirements for the Statement of Accounts. The Statement of Accounting Policies incorporates changes required as a result of changes to accounting standards and to the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

## **8. FINANCIAL IMPLICATIONS**

8.1 There are no direct financial implications arising as a result of this report. The report relates exclusively to the technical and statutory accounting requirements for the Statement of Accounts.

## **9. LEGAL IMPLICATIONS**

9.1 The legal implications are in respect of the Accounts and Audit Regulations 2015 and the requirement that the accounts must be compliant with the relevant accounting standards and codes of practice and must be prepared on a true and fair view basis. Failure to comply could result in a failure to meet the statutory duty.

## **10. COMMENTS OF THE STATUTORY FINANCE OFFICER**

10.1 The Statement of Accounting Policies 2018/19 have been reviewed for regulatory compliance. There are no financial implications as the accounting standards are applied in practice.

## **11. COMMENTS OF THE MONITORING OFFICER**

11.1 Please see the legal Implications section above. The appended Statement of Accounting Policies is designed to comply with all relevant Regulations and Codes of Practice.

## 12. OTHER IMPLICATIONS:

<ul style="list-style-type: none"> <li>▶ <b>HR &amp; Organisational Development</b></li> <li>▶ <b>ICT / Technology</b></li> <li>▶ <b>Property &amp; Asset Management</b></li> <li>▶ <b>Risk</b></li> <li>▶ <b>Equality &amp; Diversity</b></li> </ul>	<p>Risk implications apply in relation to the Accounts and Audit Regulations 2015 to prepare financial statements in accordance with the statutory timetable. The accounts must be compliant with the relevant standards and must be prepared on a true and fair view basis. Failure to comply could result in a failure to meet the statutory duty.</p>
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## 13. BACKGROUND DOCUMENTS

- Accounts and Audit (England) Regulations 2015
- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19
- External Audit – 2017/18 Audit Findings and Progress Report– Report to Governance Committee 26<sup>th</sup> July 2018  
<https://southribble.gov.uk/sites/default/files/South%20Ribble%20Borough%20Council%20017-18%20Audit%20Findings%20Report%20-%20Final%20for%20Governance%20Committee%2026%20July%202018.pdf>

## 14. APPENDICES

Appendix A - The Statement of Accounting Policies 2018/19

SMT Member's Name: Tim Povall

Job Title: Deputy Chief Executive , Resources & Transformation (S151 Officer)

Report Author:	Telephone:	Date:
Tony Furber Principal Financial Accountant	01257 515376	28 February 19