

REPORT OF: FINANCIAL SERVICES MANAGER

TO: ACCOUNTS AND AUDIT COMMITTEE

DATES: 21st March 2017

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**Closure of Accounts 2016/17
Accounting Code of Practice update and other related matters**

PURPOSE OF REPORT

1. The purpose of this report is to:
 - (a) update the Committee on the Accounting Code of Practice for 2016/17;
 - (b) inform the Committee of arrangements for the public inspection period of the accounts;
 - (c) request approval of the proposed Accounting Policies as the basis on which the accounts will be prepared for the financial year ending 31st March 2017;

RECOMMENDATIONS

2. It is recommended that the Committee:
 - a) Notes the main changes arising from the 2016/17 Accounting Code of Practice which impact on the preparation of the Council's financial statements for the year;
 - b) Note the timetable for the publication of the draft statement of accounts and rights of public inspection resulting from the Accounts and Audit Regulations 2015;
 - c) Approve the proposed accounting policies for the 2016/17 accounts as set out at [Appendix B](#).

ISSUE

Changes to the Code of Practice

3. Since 2010/11 the Council has been required to prepare the annual Statement of Accounts in accordance with International Financial Reporting Standards (IFRS) as adapted in the Code of Practice on Local Authority Accounting in the United Kingdom.

4. The Code is updated by the Chartered Institute of Public Finance and Accountancy (CIPFA) on an annual basis. This report updates the Committee on the following changes which will affect the Council's financial reporting for the 2016/17 financial year:

Presentation of Financial Statements

It is generally accepted that local authority accounts are complex and often long documents that can be difficult to understand. Post the implementation of IFRS there has been much focus within the profession on how to simplify the accounts and "how to tell the story"; in particular the links between the management accounts that Councillors receive for internal reporting purposes (i.e. budget performance information) and the position as reported in the published financial statements.

For 2016/17, the Code requires the core financial statements to be produced in a format consistent with reports used for internal financial management purposes. The Comprehensive Income and Expenditure Statement (CIES) will be shown on a segmental basis i.e. broken down by Council department reflecting the service and operating structure.

The Council is required to re-state the relevant 2015/16 audited accounts, produced in accordance with the Service Expenditure Code of Practice (SERCOP) as per the 2015/16 Code requirement, into 'reportable segments' i.e. departments, as required by the changes to the 2016/17 Code. An Expenditure and Funding Analysis has been introduced which provides a reconciliation between how the Council is funded and the accounting basis which underpins the CIES. Linked to this the Code requires other supporting disclosure notes, again on a segmental basis, to analyse expenditure and income by type and income from fees and charges by department.

Other considerations under the CIPFA theme of "telling the story" include de-cluttering the accounts, and removing references to unnecessary information or information that is not material to the readers understanding of the financial position of the Council. We made positive progress on these aspects in 2015/16 and will continue to review the content as part of production of the 2016/17 Statement of Accounts.

For the Committee's information, a copy of CIPFA's publication entitled *Understanding Local Authority Financial Statements* is provided at [Appendix A](#) in advance of the next meeting in July when the accounts will be considered.

Public Inspection of the Statement of Accounts

5. The requirements for publication of the statement of accounts and the period for public inspection changed as a result of the Accounts and Audit Regulations 2015.
6. Under the 2015 regulations the period for public inspection is now 30 working days and must include the first 10 working days of July (this means the period must include the 1st to 14th July. The accounts cannot be approved until the conclusion of this inspection period.
7. The Council is required to publish a number of documents including the draft accounts (pre-audit), the annual governance statement, a narrative statement and a statement setting out the exercise of public rights to inspect the accounts. The inspection period can only begin the day after all these have been published. The requirement is to 'publish' which must include publication to the Council's website. There is no longer a requirement for external audit to "call the audit".
8. On current plans it is expected that the inspection period for 2016/17 will commence from 15th June ending 30 working days later, just prior to the July meeting of the Committee when we aim to submit the accounts and audit findings report for formal approval. However, the statutory deadline for formal approval and publication of the accounts remains 30th September for 2016/17. This comes forward to the 31st July for the 2017/18 year of audit.

Accounting Policies

9. Accounting policies are defined in the Code as ‘the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements’. The Code requires that where the Code applies to a transaction, other event or condition, an authority should determine the accounting policy or policies to be applied to that item with direct reference to the requirements of the accounting policies stipulated by the Code. Accounting policies need not be applied if the effect of applying them would be immaterial. Materiality is defined in as it applies to omissions and misstatements:

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

10. The proposed accounting policies under which the 2016/17 Statement of Accounts will be prepared are set out in [Appendix B](#). There are no significant changes from those adopted for 2015/16 save primarily for reference to fair value and removal of references relating to SERCOP, being replaced by reporting segments as required by the 2016/17 Code. The policies as presented have also been shared with external audit and their feedback has been reflected in the updated policies.
11. The Committee is asked to approve the Accounting Policies for 2016/17.

IMPLICATIONS

Policy

12. There are no policy implications arising directly from the contents of this report.

Financial

13. The financial implications are as given in the report.

Legal

14. There are no legal implications arising directly from the contents of this report.

Risk Management

15. There are no new risk management implications arising from the contents of this report.

Health and Safety

16. There are no health and safety implications arising from the contents of this report.

Sustainability

17. There are no sustainability issues arising from the contents of this report.

Community Safety

18. There are no community safety issues arising from the contents of this report.

Equality and Diversity

19. There are no equality and diversity issues arising from the contents of this report.

APPENDICES

Appendix A – CIPFA Guide to understanding Local Authority Financial Statements

Appendix B – Proposed accounting policies for 2016/17 statement of accounts.

LIST OF BACKGROUND PAPERS

None.