

**REPORT OF: FINANCIAL SERVICES MANAGER**  
**TO: ACCOUNTS AND AUDIT COMMITTEE**  
**DATE: 20<sup>th</sup> MARCH 2018**

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**Closure of Accounts 2017/18**  
**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 2017/18;
  - (b) inform the Committee of arrangements for the public inspection period of the accounts;
  - (c) request approval of the Accounting Policies as the basis on which the accounts will be prepared for the financial year ending 31st March 2018;

**RECOMMENDATIONS**

2. It is recommended that the Committee:
  - a) note the main changes arising from the 2017/18 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 accounting policies for the 2017/18 accounts as set out at [Appendix A](#).

**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 areas which will affect the Council's financial reporting for the 2017/18 financial year.

5. The 2017/18 code update does not contain any significant changes impacting on our accounting arrangements for the year. Amongst the areas covered by the most recent code update are the following, none of which represent major or complex changes:

#### *Narrative Reporting*

Reflecting the new principles based approach to Narrative Reporting introduced by the code with comprehensive guidance provided to assist practitioners in the application of these principles.

#### *Presentation of Financial Statements*

The Code's augmented provisions to confirm the going concern basis of accounting for local authorities.

#### *Notes to the Financial Statements –updated in the following areas:*

##### *Significant Accounting Policies*

To provide further clarification in respect of the reporting requirements for accounting policies;

##### *Expenditure and Funding Analysis*

Additional guidance provided to further assist practitioners in the preparation of the note.

#### *Other Accounting Themes*

Informal Commentary and Clarification to include guidance on the order of events for approval and publication of the 2017/18 statement of accounts as required by the Local Government, England and Wales Accounts and Audit Regulations 2015.

6. Whilst the 2017/18 code update represents a light year for new accounting requirements, there are a number of new accounting standards pending that may potentially have a significant impact on the Council's financial position. Changes to lease accounting rules are still in development, but new arrangements for financial instruments and revenue recognition come into effect on 1 April 2018. Although these new arrangements do not impact on the accounts for 2017/18, work to assess their effect on the Council's position will need to commence early in the new financial year. The results of this work will be reported to Management Team and Councillors in due course as necessary.

### **Public Inspection of the Statement of Accounts**

7. 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.
8. Under the 2015 regulations the period for public inspection is now 30 *working* days and for the 2017/18 accounts this period **must** include the first 10 working days of June 2018. As the first day of June falls on a Friday, the pre-audit version of the accounts **must** be approved and published by no later than Thursday 31<sup>st</sup> May 2018.
9. 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".
10. The period for public inspection will then commence from Friday 1<sup>st</sup> June and run to Thursday 12<sup>th</sup> July 2018. The post audit version of the accounts cannot be approved by this Committee before the expiry of the public inspection period.

11. The draft calendar of meetings for 2018/19 which will be submitted to Council in May currently has a meeting of this Committee scheduled for the 26<sup>th</sup> July. This will allow time to conclude the formal inspection period, the audit by Grant Thornton and the time they need to issue their Audit Opinion by the 31<sup>st</sup> July. The Council must publish its audited accounts together with the Audit Opinion by no later than the 31<sup>st</sup> July 2018. The work we have done thus far in conjunction with Grant Thornton should enable both parties to meet this deadline.

## **Accounting Policies**

12. 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.*

13. The proposed accounting policies under which the 2017/18 Statement of Accounts will be prepared are set out in **Appendix A**. There are no significant changes from those adopted for 2016/17. The policies as presented have also been shared with external audit and any feedback will be shared with the Committee verbally. Subject to this, the Committee is asked to approve the Accounting Policies for 2017/18.

## **IMPLICATIONS**

### **Policy**

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

### **Financial**

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

### **Legal**

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

### **Risk Management**

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

### **Health and Safety**

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

### **Sustainability**

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

## **Community Safety**

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

## **Equality and Diversity**

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

## **APPENDICES**

**Appendix A** – Proposed accounting policies for the 2017/18 Statement of Accounts.

## **LIST OF BACKGROUND PAPERS**

None.