

REPORT OF: FINANCIAL SERVICES MANAGER

TO: ACCOUNTS AND AUDIT COMMITTEE

DATES: 23rd March 2021

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**Closure of Accounts 2020/21
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 2020/21 (the 'Code');
 - (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 2021;

RECOMMENDATIONS

2. It is recommended that the Committee:
 - a) Notes the main changes arising from the 2020/21 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 2020/21 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 the following changes and details the expected impact on the Council's financial reporting for the 2020/21 financial year:

Explanation of Code approach – The code references that the material in IAS 17 Leases continues to be relevant, because the implementation of IFRS 16 has been delayed until 2021/22. The delay is as a result of SARS COVID 19, and the recognition of the considerable pressures that this has on officer time.

The code notes updates to supplementary sources of information used in preparing the accounts for example, the Code of practice on Ethics and also clarifies where guidance and definitions have been updated, for example the classification of useable and unusable reserves.

Update to IAS1 and IAS8 on definition of material – Provides additional clarity to ensure that material information is not obscured for users. This is also referenced in property plant and equipment, post-employment benefits and financial instruments sections of the accounts.

Update on IAS19 – *this relates to post-employment benefits, and includes reference to materiality requirements in assessing quantitative materiality.*

EU withdrawal – *changing references to compliance with EU regulations to UK regulations.*

Legislative amendments including: *For England, The Local Authorities (Capital Finance and Accounting) Regulations 2018 relating to investment in specified pooled investments funds that are measured at fair value through profit and loss (FVPL) and back-payments following unequal pay.*

Amendments to financial instruments – *these include that the FVPL financial instrument entries are specified as included in the financing and investment income line. The Code also makes further clarifications, such as around the extent of exemption from impairment allowances.*

Other – *There are a few minor amendments, such as references to RICS guidance publications and the identification of signage at the foot of the comprehensive income and expenditure statement.*

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 (amended 2021).
6. Under the 2015 regulations the period for public inspection is now 30 *working* days and for the 2020/21 accounts this period **must** include the first 10 working days of August. The pre-audit version of the accounts must be approved and published no later than Friday 30th July 2021.
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 first working day after all these have been published. The requirement is to 'publish' which must include publication to the Council's website.

8. The period for public inspection will then commence from Monday 2nd August 2021 and run through to Friday 10th September 2021. The post-audit version of the accounts cannot be approved by this Committee before the expiry of the public inspection period.
9. The draft calendar of meetings for 2021/22 which will be submitted to Council in May includes a meeting of this Committee scheduled for the 28th September 2021. 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 30st September 2021. The Council must publish its audited accounts together with the Audit Opinion by no later than 30st September 2021.

Accounting Policies

10. 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.

11. The proposed accounting policies under which the 2020/21 Statement of Accounts will be prepared are set out in [Appendix A](#).
12. The Committee is asked to approve the Accounting Policies for 2020/21.

IMPLICATIONS

Policy

13. The Council’s accounting policies are reviewed annually in compliance with Cipfa’s Accounting Code of Practice.

Financial

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

Legal

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

Risk Management

16. The Council reviews its risks regularly and in the context of financial instruments and the Expected Credit Loss Model, will maintain an ongoing assessment of risks associated with its financial assets.

Health and Safety

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

Sustainability

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

Community Safety

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

Equality and Diversity

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

APPENDICES

Appendix A – Proposed accounting policies for 2020/21 statement of accounts.

LIST OF BACKGROUND PAPERS

None.