

**Classification:**

Part 1 – Public

**Key Decision:**

No

**Gravesham Borough Council**

**Report to:** Finance & Audit Committee

**Date:** 13 March 2018

**Reporting officer:** Sarah Parfitt – Assistant Director (Corporate Services)

**Subject:** Accounting Policies 2017-18 and earlier closedown requirements

**Purpose and summary of report:**

To seek endorsement of the Accounting Policies to be used in formulating the Financial Statements for the authority for the financial year 2017-18.

To advise Members on the earlier closedown requirements that will be effective from the 2017-18 financial year (i.e. for the accounts prepared for the year ended 31 March 2018).

**Recommendations:**

1. Members are asked to endorse the use of the Accounting Policies as outlined at Appendix Two to this report, subject to further comments from the Council's external auditor.

**1. BACKGROUND**

- 1.1 The Accounts & Audit (England) Regulations 2015 requires local authorities to prepare their annual financial statement of accounts in accordance with 'proper accounting practice'. For local authorities, proper accounting practice is defined as that contained within the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (The Code).
- 1.2 Accounting policies are the principles, bases, conventions, rules and practices applied by an authority that specify how the effects of transactions and other events are to be reflected in its financial statements. This may be through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves. Except where explicitly specified in The Code, or due to specific legislative requirements, it is for an authority to select the accounting policies that are most appropriate to its particular circumstances.

## 2. ACCOUNTING POLICIES FOR 2017-18

- 2.1 The Code for 2017-18 has been published and a review of the Council's accounting policies has been conducted to ensure that these are in line with the requirements of The Code. Feedback received from the Council's external auditors during the audit of the statement of accounts for 2016-17 has also been taken into account in presenting the proposed accounting policies to be used to produce the financial statements for 2017-18, as included at Appendix Two to this report.
- 2.2 There are no major changes to The Code that have been identified and will influence the council's accounting policies for 2017-18. The accounting policies will therefore broadly remain in line with those used to prepare the 2016-17 statement of accounts. For assistance, the updates made to the accounting policies are summarised below:
- **Cash and Cash Equivalents (Accounting Policy 1.5)** – this policy has been updated to provide greater clarity on how the policy is practically applied.
  - **Intangible Assets (Accounting Policy 1.8)** – following feedback from the external auditors as part of last years' audit, this policy has been reviewed and shortened in the spirit of decluttering the accounts.
  - **Cost of Management and Support Services (Accounting Policy 1.18)** – this policy has been updated to provide greater clarity on how the policy is practically applied.
- 2.3 In line with the Finance & Audit Committee's responsibility to receive the annual financial statements, and as per the practice adopted in previous years, the committee are requested to endorse the use of the accounting policies set out at Appendix Two in preparing the financial statements for 2017-18.
- 2.4 Members should note that the accounting policies have been shared with the external auditors and may therefore be subject to any comments / feedback from the Council's external auditors. Any material changes to the accounting policies subsequently found to be necessary will be accompanied by an explanation of the impact of the change in policy within the financial statements.

## 3. REQUIREMENT FOR EARLIER CLOSING OF 2017-18 ACCOUNTS

- 3.1 Traditionally, local government bodies in England have been required to have their draft annual statement of accounts produced by 30th June and audited, approved and published by 30th September following the end of the financial year. Effective from the 2017-18 financial year, the Accounts and Audit (England) Regulations 2015 specify the requirement to accelerate this process so that the draft annual statement of accounts are produced by 31st May and audited, approved and published by 31st July following the end of the financial year.
- 3.2 The revised timetable will present challenges to both the Council and External Auditors; the Council will have one month less in which to close the financial year and produce the annual statement of accounts, and External Auditors will be required to complete local government audits and issue opinions two months earlier than the current requirements.

- 3.3 In preparation for this, the council did bring forward the timetable for the production of the draft statement of accounts for 2016-17 with a draft statement of accounts prepared by 19 May 2017, allowing time for quality assurance processes to take place between this point and 31 May 2017.
- 3.4 One potential consequence of faster closedown and the increased use of estimates is an increase in the number of non-trivial errors reported by the external auditors in their Audit Findings Reports. These are errors that are not material and therefore do not significantly affect the financial position of the Council. They do not affect the audit opinion. The 2017-18 Audit Plan presented to the Finance & Audit Committee on 19 February set the triviality threshold of the Council for 2017-18 at £85k.
- 3.5 In previous years the Finance & Audit Committee would have received the draft statement of accounts at the July meeting, prior to audit, with this supported by separate training on the statement delivered by officers of the Finance Team. The final, audited statement would then be presented to the committee at the September meeting, alongside the auditor's report.
- 3.6 The tighter deadline will result in the committee receiving the final, audited statement at the July meeting, alongside the auditor's report. Officers will be in attendance at the meeting to provide support to Members in interpreting the Statements as needed.

#### **4. BACKGROUND PAPERS**

- 4.1 The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 'Guidance Notes for Practitioners' is held by Financial Services.

Anyone wishing to inspect background papers should, in the first place, be directed to Committee & Electoral Services who will make the necessary arrangements.

<b>IMPLICATIONS</b>		<b>APPENDIX 1</b>
<b>Legal</b>	If the accounting policies were not in accordance with statutory guidance and The Code, the accounts for the financial year could receive a qualified opinion from Grant Thornton, the Council's external auditors.	
<b>Finance and Value for Money</b>	The potential costs of not updating the accounting policies could include additional audit fees should further testing or extra audit time be required.	
<b>Risk Assessment</b>	It is considered that the policies presented to the Finance & Audit Committee within this report are properly in line with the statutory guidance. In conducting the review of the accounting policies, Officers have attended a combined CIPFA/Ernst & Young event and a separate Grant Thornton event on applying The Code to the preparation of the 2017-18 accounts.	
<b>Equality Impact Assessment</b>	<b>Screening for Equality Impacts</b>	
	<b>Question</b>	
	a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer. <b>No</b>	
	b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer. <b>No</b>	
<i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i>		
<b>Corporate Plan</b>	Corporate Objective 4: A sound and self-sufficient council.	
<b>Crime and Disorder</b>	N/A	
<b>Digital and website implications</b>	The draft and final versions of the statement of accounts will be published on the council website.	
<b>Safeguarding children and vulnerable adults</b>	N/A	