

Audit Committee - 18 April 2016

Accounting Policies 2015/16

1. Summary of report

- 1.1 This report sets out the accounting policies for 2015/16 to be noted by Audit Committee. Reviewing the accounting policies prior to completion of the statement of accounts is seen as good practice and this also provides guidance for reviewing the statement of accounts.
- 1.2 The statement of accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Authority is required to prepare an annual statement of accounts by the Accounts and Audit (England) Regulations 2015. Those regulations require the statement of accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (hereafter referred to as the 'Code') and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

2. Recommendations:

- 2.1 Audit Committee are asked to note the attached accounting policies for use in the completion of the financial statements for 2015/16.

3. Governance

- 3.1 The accounting policies for 2015/16 (**Appendix 1**) have been reviewed against the Code of Practice on local authority accounting in the United Kingdom 2015/16 and relevant accounting standards.

4. Changes in accounting policies

- 4.1 There are a number of changes to the accounting policies for 2015/16 compared to 2014/15 as set out below:
- 4.2 The policies for Property Plant and Equipment, Investment Properties, Assets Held for Sale and Financial Instruments have been updated for the introduction of the new accounting standard IFRS13 – Fair Value Measurement. This accounting standard introduced the concept and definition of current value for the measurement of property, plant and equipment. This concept requires that local authorities measure the service potential and the operating capacity used to deliver local authority goods and services inherent in the assets. This means that the measurement requirement for operational property, plant and equipment have not changed from those in the 2014/15 Code. However, the Code requires that non-operational property, plant and

equipment classified as surplus assets are measured at fair value (Appendix 1 pages 5-6).

- 4.3 The policy for Heritage Assets has been amended with the descriptive narrative now only shown within the Heritage Assets disclosure note within the statement of accounts, rather than in both the policy and the disclosure note. This is considered more appropriate and will assist the reader of the accounts to understand the Council's accounting policy more clearly (Appendix 1 pages 22-23).
- 4.4 A new policy for Joint Operations has been included to add clarity for the accounting treatment associated with pooled budgets (Appendix 1 page10).
- 4.5 A new policy for Interest in Companies and Other Entities has been included. This policy is included as a result of the spin out of Walsall Adult and Community College (WACC). The Council's interest in WACC is not considered material and therefore the Council does not intend to produce group accounts on this basis. Further information on the relationship of WACC will be included as a note to the statement of accounts (appendix 1 page 11).
- 4.6 The policy for Private Finance Initiative (PFI) has been amended to add further clarity on the accounting treatment on payments to the operators of PFI schemes (Appendix 1 pages 13-14).
- 4.7 There have also been some minor amendments to other accounting policies to ensure they are relevant to the preparation of the Council's 2015/16 statement of accounts and for minor wording changes to the Code.

5. Resource and Legal Considerations

- 5.1 The council must produce annual accounts in line with the Accounts and Audit Regulations 2015, in a timely fashion on an annual basis. The Code of Practice is updated on an annual basis.

6. Risk Management

- 6.1 Failure to correctly and fully apply accounting policies could result in external audit requesting amendments to the accounts or even qualification of the accounts.

7. Equality implications

- 7.1 The accounting policies are part of the publication of the statement of accounts for the relevant year. The statement of accounts is published on the council's website.

8. Consultation

- 8.1 The Chief Finance Officer has been consulted and has approved these policies. No community consultation activity is required for the accounting policies. However, as part of consultation regarding the presentation of financial information, residents have the opportunity to comment when reviewing the statement of accounts.
- 8.2 The accounting policies have also been shared with the Council's new external auditors Ernst & young.

Background Papers

Code of Practice on local authority accounting in the United Kingdom 2015/16

Audit and Accounts Regulations 2015

IAS8 (International Accounting Standard) Accounting Policies, Changes in Accounting Estimates and Errors

IFRS13 Fair Value Measurement



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31 March 2016

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