

Report to: **Audit and Governance Committee**

Date of Meeting: 24 September 2020

Public Document: Yes

Exemption: None

Review date for release None



Subject: Statement of Accounts 2019/20 – Review of Accounting Policies

Purpose of report: It is good practice for the Audit and Governance Committee to approve the Accounting Policies to be adopted in advance of the preparation of the Accounts.

Recommendation: **To approve the Accounting Policies for the 2019/20 Statement of Accounts.**

Reason for recommendation: Members of the Audit and Governance Committee have responsibility for the approval of the Annual Statement of Accounts.

Officer: John Symes – Finance Manager, jsymes@eastdevon.gov.uk

Portfolio Holder: Portfolio Holder for Finance

Financial implications: The policies set out for approval underpin the Council's reporting on its financial performance and position. There is little discretion to depart from the policies set down by the Code.

Legal implications: The legal position is detailed in the report and no further comment is required.

Equalities impact: Low Impact

Climate change: Low Impact

Risk: Low Risk

Links to background information:

Link to [Council Plan](#): Outstanding Council and Council Services

Report in full

1. Background and Proposals

- 1.1 This report presents the proposed accounting policies to be adopted for the 2019/20 financial year and to be used in the preparation of the statement of Account for the financial year ending 31st March 2020. Adopting the proposed policies will support the timely production of a high quality set of annual accounts.
- 1.2 The CIPFA (Chartered Institute of Public Finance and Accountancy) LASAAC (Local Authority (Scotland) Accounts Advisory Committee) Local Authority Accounting Board is a standing committee of CIPFA and LASAAC and is responsible for developing the Code of Practice on Local Authority Accounting in the United Kingdom.
- 1.3 The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of the Council and is based on European Union adopted International Financial Reporting Standards (IFRS). It is reviewed continuously and normally updated annually by the CIPFA / LASAAC Local Authority Board, effective for the financial years commencing 1 April.
- 1.4 As specified by regulation 21(2) of the Local Government Act 2003, all Local Authorities in the United Kingdom are required to keep their accounts in accordance with 'proper (accounting) practices'. This is defined, for the purposes of local government legislation, as meaning compliance with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
- 1.5 It is therefore essential that the Council's own internal accounting policies are aligned and updated to reflect changes to the Code of Practice and for other transactions that occur during the reporting year.
- 1.6 The Code specifies the principles and practices of accounting required to give a "true and fair view" of the financial position, financial performance and cash flows of the Council.
- 1.7 The 2019/20 CIPFA Code of Practice on Local Authority Accounting has only minor changes, none of which are judged to be material for the Council.
- 1.8 The proposed accounting policies are presented via the link within the report and do not depart from the provisions of the 2019/20 Code.

2. Future Key Accounting Changes

- 2.1 Implementation of IFRS16 - Leases will be included in the Code of Practice on Local Authority Accounting for 2020/21, however the authority is already following early guidance in its preparation to moving to the new requirements.
- 2.2 The main impact of the standard is to remove (for lessees) the traditional distinction between finance and operating leases. Finance leases have effectively been accounted for as acquisitions whereas operating leases are expensed in the year rentals are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach.

3. Reminder of closedown timetable

- 3.1 From 2017/18 there was a statutory requirement bringing forward the date the annual statement of accounts needed to be completed and on our website to 31st May and approval and publication of financial statements with audit opinion by 31st July.