



## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Accounting Policies</b>
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**AGENDA STATUS: PUBLIC**

<b>Audit Committee Meeting Date:</b>	19 <sup>th</sup> May 2014
<b>Policy Document:</b>	Yes
<b>Directorate:</b>	LGSS Finance
<b>Accountable Cabinet Member:</b>	Cllr A Bottwood

### 1. Purpose

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1.1 The purpose of the report is to bring the accounting policies to Audit Committee for approval

### 2. Recommendations

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2.1 It is recommended that Audit Committee approve the Accounting Policies set out at Appendix 1.

2.2 It is also recommended that Audit Committee agrees that in future only changes to the accounting policies will be brought for approval.

### 3. Issues and Choices

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#### 3.1 Report Background

3.1.1 The accounting policies outline how Northampton Borough Council will account for all income, expenditure, assets and liabilities held and incurred during the financial year.

3.1.2 It is good practice to bring these policies to those charged with governance for approval each year.

- 3.1.3 The accounting policies for the Authority have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code for Local Authority Accounting. Where there is no specific guidance in the CIPFA Code, the Authority has developed its own accounting policy, which is aimed at creating information, which is:
- Relevant to the decision making needs of users; and
  - Reliable, in that the financial statements:
  - Represent faithfully the financial position, financial performance and cash flows of the entity;
  - Reflect the economic substance of transactions, other events and conditions and not merely the legal form;
  - Are neutral i.e. free from bias;
  - Are prudent; and
  - Are complete in all material respects.
- 3.1.4 The accounting policies of the Authority are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance or any other change in statute, guidance or framework impacting on the authorities accounts.
- 3.1.5 The accounting policies of the Authority as far as possible have been developed to ensure that the accounts of the Authority are understandable, relevant, reliable and comparable, and free from material error or misstatement.
- 3.1.6 The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and certain categories of financial instrument.

## **3.2 Issues**

- 3.2.1 The Accounting Policies are shown at appendix 1 and are split into 4 main groups:
- Accounting Concepts and General Principles (page 1)
  - Capital Accounting (page 2)
  - Revenue Accounting (page 12)
  - Treasury Management (page 17)
- 3.2.2 There are only a few minor changes this year compared to 2012/13, which are as follows:
- Policy c **Cost of Services** – Updated to reflect the current year Service Reporting Code of Practice Date – only trivial differences in the 2013/14 Code compared to 2012/13.

- Policy on **Revenue Reserves** – Updated to reflect the fact that the £3.1m general fund balance is for 2013/14 only. The Budget Report to Council explained that for 2014/15 a higher general fund balance of £4.9m is recommended following the review of earmarked reserves in 2013/14 and consequent reduction in those.
- Policy on **General Government Grants** – Updated to reflect the change from the national rates pool and redistributed NNDR to the new Retained Business Rates scheme.

3.2.3 It is proposed that only changes to the Accounting Policies will be brought for approval in future years.

### **3.3 Choices (Options)**

3.3.1 The Committee can approve the accounting policies as appended.

3.3.2 The Committee can agree to receive only changes to the accounting policies in future.

3.3.3 The Committee can ask to see all accounting policies each year in future.

3.3.4

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 The report agrees the accounting policies for Northampton Borough Council.

### **4.2 Resources and Risk**

4.2.1 The Accounting Policies outline how the Council will account for all income, expenditure, assets and liabilities held and incurred during the financial year.

4.2.2 If the Council does not comply with the required standards there is a risk that its Statement of Accounts could receive an adverse audit opinion.

4.2.3 There are no resource requirements.

### **4.3 Legal**

4.3.1 There are no legal implications arising from this report

### **4.4 Equality**

4.4.1 There are no equality implications arising from this report

### **4.5 Consultees (Internal and External)**

4.5.1 There has been a degree of discussion with the Council's auditors, KPMG, as part of the audit of the Statement of Accounts which included these policies last summer.

### **4.6 Other Implications**

4.6.1 There are no other implications.

## **5. Background Papers**

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- 5.1 Statement of Accounts for Northampton Borough Council 2012/13
- 5.2 Code of Practice for Local Authority Accounting in the United Kingdom 2013/14 Accounts
- 5.3 Code of Practice for Local Authority Accounting in the United Kingdom 2013/14 Accounts – Guidance notes
- 5.4 Service Reporting Code of Practice for Local Authorities 2013/14

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