

Accounting Policies

AUDIT COMMITTEE

Date: 23rd November 2010

Author: Director of Finance

Wards Affected: All

Purpose

- To consider an overview of the accounting policies that underpins the Council's annual statement of accounts.

Recommendations

The Audit Committee is asked to:

- Note the content of this report
- Formally approve the accounting policies of Council as they stand,
- Consider if any accounting policy area requires more individual review in a future report.

1. Reasons

- 1.1 The Audit Committee is responsible for the approval of the annual accounts and should consider the policies for approval before the accounts are closed and presented to them.

2. Accounting Policy Framework

- 2.1 The Code of Practice on Local Authority Accounting, defines accounting policies as "the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements." Some of these are prescriptive in their nature by accounting standards, whilst others allow for some local variation. For example, assets such as buildings might fall within one pre-defined classification (e.g. operational) but the way in which the asset is then depreciated is a local choice as long as reasonable.
- 2.2 Where the Code does not specifically apply to any transaction then it is the responsibility of management to apply its judgement in applying accounting policies that are:
 - i.) Relevant to the decision-making needs of users, and
 - ii.) Reliable, in that the financial statements:
 - a) Represent faithfully the financial position, financial performance and cash flows of the entity,
 - b) Reflect the economic substance of transactions, other events and conditions and not merely the legal form,
 - c) Are neutral, i.e. free from bias
 - d) Are prudent, and
 - e) Are complete in all material respects. (The Code 3.3.2.9, page 40)

Further information on the subject of this report can be obtained from *Darren Stevens* on *Direct Dial No.3323* or Email dstevens@swindon.gov.uk.

Accounting Policies

AUDIT COMMITTEE

Date: 23rd November 2010

- 2.3 The Council's accounting policies are the result of both an evolutionary and revolutionary process. Historically there has been a gradual year-on-year change to specific policies to keep abreast of changes to accounting standards. It has generally been the case that the Authority's accounting policies have only been updated when required by wider accounting standards.
- 2.4 For 2010/11 there is a much more revolutionary process underway in the form of International Financial Reporting Standards (IFRS) as reported to Audit Committee previously. This change in focus (from national Financial Reporting Standards (FRSs) and Statements of Standard Accounting Practice (SSAPs)) means that 2010/11 is seeing more refinements, and updates, to more accounting policies, than for many years.

3. Accounting Policies

- 3.1 Please refer to the accounting policies' detail in Appendix 1, extracted from the 09/10 statement of accounts. The Appendix gives a brief overview of the purpose of the accounting policies and how the IFRS transition is affecting it.
- 3.2 As a significant transition year, the final wording of the updated policies for 2011/11, and how they will sit in the new statement of accounts document, remains in progress. The document, and any area identified by Committee for more detailed review, will be brought to a future meeting before year-end.

Alternative Options

- Not applicable.

Risk Management

Financial and Procurement Implications

- The accounting policies are the framework over which the Statement of Accounts are pieced together.

Legal / Human Rights Implications

- There are no Legal/Human Rights issues.

Links to Corporate Plans and Policies (in particular to Swindon 2010 Promises)

- None.

Consultees

- None

Background Papers and Appendices

- Appendix 1 – Accounting Policy Overview
- Audit Committee Report of 21st September 2010 – Item 7, Appendix 1
- Audit Committee Report of 20th April 2010 – Item 7

Further information on the subject of this report can be obtained from *Darren Stevens* on *Direct Dial No.3323* or Email dstevens@swindon.gov.uk.