

## AGENDA NO: 8



### INDEPENDENT AUDIT COMMITTEE – 8<sup>th</sup> December 2017

#### ACCOUNTING POLICIES

#### REPORT BY LUCINDA HINES

#### HEAD OF TECHNICAL ACCOUNTING, DEVON AND CORNWALL

#### 1.0 STRATEGIC ISSUE FOR CONSIDERATION

1.1 The aligning of Dorset Police and Devon and Cornwall Police accounting policies.

#### 2.0 RECOMMENDATIONS FOR DECISION

2.1 The committee notes that the accounting policies for the two Forces have been aligned.

2.2 The committee notes that the accounting policies are based on the guidance set out in the CIPFA Code of Practice for 2016/17 and will be updated accordingly once reviewed by KPMG and with any changes highlighted in the CIPFA Code of Practice for 2017/18.

2.3 The committee notes that a schedule containing the criteria, to be used in conjunction with the relevant accounting policy, will no longer be shown in the accounting policies but will be disclosed in the relevant note.

2.4 The committee notes that the application of the recommended policy does not have a material effect on the 2016/17 balance sheet.

#### 3.0 SALIENT POINTS

3.1 Each Force prepared their 2016/17 Statement of Accounts using accounting policies that were in place before the Finance Team Alliance. Both Force's accounts were audited and approved by KPMG. The audit included a review of accounting policies and each Force's application of them in order to produce the Statements.

3.2 In preparation for the 2017/18 accounts, it is recommended that the accounting policies for both Forces are aligned.

3.3 This approach will benefit the team, as bringing the policies in line with each other will ensure a consistent approach, reduce the risk of error, and allow working papers to be set up in the same way. All of which will help towards meeting the earlier closedown dates.

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- 3.4 Comparative work has taken place to identify the similarities and differences between each Force's accounting policies.
- 3.5 The proposed aligned accounting policies are shown in Appendix A and the outcome of the review is summarised below.
- 3.6 A different approach has been taken to the level of information presented in the accounting policies with the framework only be included whilst the criteria of how that policy is to be applied has been removed. The criteria has been outlined in Appendix C and it is proposed that they are shown within the relevant note.
- 3.7 The majority of the accounting policies are in essence the same but worded slightly differently in the Statements of Accounts. For these policies, it is recommended that the wording is taken directly from the CIPFA Code of Practice for 2016/17.
- 3.8 There were 5 policies that featured in Devon and Cornwall Statement of Accounts only and 2 policies that featured in the Dorset Statement of Accounts only. These policies are: Revenue Expenditure Funded from Capital under statute; Foreign Currency Translation; Heritage Assets; Joint Operations; Intangible Assets; Inventories; Exceptional Items; and Charges to Revenue Non-current Assets. As these are relevant to both Forces they have been adopted in the aligned accounting policies.
- 3.9 There are a few policies where the criteria and financial limits are substantially different. These are shown in Appendix B together with recommendations for a unified approach and discussion of the impact arising.
- 3.10 A review of the relevance of each accounting policy has also been undertaken as part of a decluttering exercise. This has resulted in three accounting policies being removed. They are: Investment Property policy as this is not applicable to either Force; Milne v Gad – this is not a policy but disclosure of information and is shown in a note to the accounts; and presentation of items in Other Comprehensive Income and Expenditure. This latter policy is obsolete as it is covered by policy 11.4. This exercise will be undertaken again at year end when we know each Force's year end position.
- 3.11 Although the number of pages in the Dorset Police account policies will double, the accounting policies themselves will be more comprehensive as the content is taken directly from the CIPFA Code of Practice. The number of pages will not change for the Devon and Cornwall Police accounting policies section.
- 3.12 It should be noted that these policies are subject to review by the s151 officers prior to consultation with external auditors and may therefore be subject to changes before inclusion in the final Statements of Accounts. Changes may also occur in response to changes in the 2017/18 CIPFA Code of Practice.