

**TONBRIDGE & MALLING BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**21 January 2019**

**Report of the Director of Finance and Transformation**

**Part 1- Public**

**Delegated**

**1 ACCOUNTING POLICIES**

**This report presents the Accounting Policies proposed for the 2018/19 Financial Statements for consideration and endorsement.**

**1.1 Introduction**

1.1.1 The Accounting Policies to be used in the preparation of the financial statements are attached at **[Annex 1]** for Members' consideration and endorsement.

1.1.2 Our external auditor following the audit of the 2017/18 Financial Statements commented:

*Although the Council's accounting policies provide information on revenue recognition in respect of Council Tax and National Non-Domestic Rates, they would be improved by a more explicit policy in respect of General Fund Revenue.*

1.1.3 In response the relevant policy has been reviewed and updated as detailed below.

**Accruals & Revenue Recognition (Extract)**

1.1.4 *Revenue from the sale or provision of goods and services is recognised when it is probable that the economic benefit will flow to the Council.*

1.1.5 Replaced by:

- *Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.*
- *Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.*

- 1.1.6 The policy has also been updated to recognise that the Council accrues for electricity, gas and similar periodical payments in respect of council offices.

### **Financial Instruments and Non-Current Assets (Property, Plant and Equipment)**

- 1.1.7 The financial instruments and non-current assets (property, plant and equipment) policies have also been updated. The first to reflect the new technical requirements on the recognition of financial instruments including recognising all gains and losses on investments in the Comprehensive Income and Expenditure Statement, although some unrealised gains and losses will subsequently be transferred to the Balance Sheet under statute. The second to reflect a change in the policy on depreciation in respect of land and buildings following the recent purchase of property for temporary accommodation purposes.

## **1.2 Legal Implications**

- 1.2.1 The Accounts are to be prepared in accordance with the Code of Practice on Local Authority Accounting of which the Accounting Policies form an integral part.

## **1.3 Financial and Value for Money Considerations**

- 1.3.1 As set out in the Accounting Policies.

## **1.4 Risk Assessment**

- 1.4.1 Failure to adequately follow Accounting Policies could result in misrepresentation and potential qualification of the Accounts.

## **1.5 Equality Impact Assessment**

- 1.5.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

## **1.6 Recommendations**

- 1.6.1 Members are asked to **consider** and, subject to any required amendments, **endorse** the Accounting Policies to be used in the preparation of the 2018/19 Financial Statements as set out at **[Annex 1]**.

Background papers:

contact: Paul Worden

Nil

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Director of Finance and Transformation