

**JOINT INDEPENDENT AUDIT COMMITTEE
28 MARCH 2014**

FORMAT OF 2013/14 STATEMENTS OF ACCOUNT

SUMMARY AND PURPOSE OF REPORT

To make proposals for the development of the statements of account. The aim is to promote transparency and engagement by reviewing what is included and how it is presented.

RECOMMENDATIONS

- 1. The Committee notes and comments on the proposals for improving the presentation of the statements of account.**
- 2. The Committee notes that changes to the 2013/14 Code of Practice will also lead to different disclosures in the group accounts.**

A. SUPPORTING INFORMATION

1. Background

1.1. It is recognised in the accounting world that the statements of account does not always support transparency and engagement with the public. Reviewing the full document can be a challenge even for informed readers. Criticisms of the overall reporting regime include:

- Increasing complexity has led to decreasing relevance
- Key messages are often lost in the clutter of lengthy disclosures
- The statements no longer reflect the reality of the underlying business.

1.2. The PCC and Chief Constable will always have to comply with statutory requirements for the financial statements. The 2012/13 accounts can be found at:

PCC: <http://www.lincolnshire-pcc.gov.uk/Document-Library/PCC-group-accts-post-audit-270913.pdf>

Chief Constable: <http://www.lincolnshire-pcc.gov.uk/Document-Library/CC-accts-post-audit-270913.pdf>

1.3. There is some discretion available which the Committee are asked to consider. There are two main areas to focus on.

- Materiality: the PCC's materiality policy explores how this applies to the statements of account. Where there is nothing of substance to report on then we can remove that disclosure and the associated

accounting policy. (Although primary statements need to be included even if they are nil.)

- Presentation: there will be different ways to present important information clearly, whilst also making it interesting and engaging. Sometimes narrative or tables will work, on other occasions a graphical format may be more effective.

2. Proposed changes

2.1. Following a review of the 2012/13 PCC Group statements of account, a number of proposals are made at Table A. They are considered practical steps to improve the presentation of the statements of account and are based on the guiding principles of transparency and materiality.

2.2. Where applicable, the changes in approach will also be reflected in the Chief Constable's accounts.

3. Changes to the Code of Practice in 2013/14

3.1. It should also be noted that developments to the Code of Practice for 2013/14 will lead to changes in the disclosures.

3.2. Disclosures for IAS 19 *Employee Benefits* are required to have new narrative sections about:

- characteristics of defined benefit plans and risks associated with them;
- explanation of amounts in the financial statements;
- amount, timing and uncertainty of future cash flows.

3.3. Amendments to IAS 1 *Presentation of Financial Statements* may change the location of costs in the Comprehensive Income & Expenditure Account.

3.4. Both of the above changes to accounting policy have the potential to lead to prior period adjustment disclosures, including the provision of a restated balance sheet as at 1 April 2012 as well as 31 March 2013 and 31 March 2014.

Table A: proposals for changes to the accounts format

Section of accounts	What could change	Potential simplification / reduction
Note 1, Accounting Policies	Delete policies for transactions which are not material / no entries in current or previous year	Could include Prior period adj Intangibles Assets held for sale REFCUS Some elements of lease policies Inventories Term benefits Discretionary benefits
Note 10, Taxation and grants	Table showing income	Use a graph (but still show figures)
Note 14, Intangibles	Not material	Could delete this note
Note 15, numbers of major current assets	Not required by Code	Could delete this note
Note 16, capital spend	Table of capital spend	Use a graph
Note 19, inventories	Table of stock balances	Could review the number of categories in the table, and / or use a graph.
Note 22, Assets Held for Sale	There may not be any in current or prior year	Could delete this note.
Note 39, amounts reported for resource allocation decisions	Table of expenditure by function	Could this be done graphically? Need to check Code requirements
		Consider having segmental reporting as Note 1 as it describes the outturn
Note 40, gross expenditure and income	Table of expenditure by type	Use a graph
Note 45, senior officers remuneration	Details of salary and allowances for senior staff	Consider using bar charts Works best when there are few staff changes
Note 47, grant income	Sources of income for the group	Use a graph
Note 51, leases	Various tables	Some scope for use of graphs
Note 54, retirement benefits	Various tables	Pensions assets, liabilities and scheme deficit in a graph
	LGPS assets	Use a graph

B. FINANCIAL CONSIDERATIONS

None.

C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS

None.

D. PERSONNEL, EQUAL OPPORTUNITIES AND DIVERSITY ISSUES (including any impact or issues relating to Children and Young People.)

None.

E. REVIEW ARRANGEMENTS

Proposals can be seen in practice and reviewed at the 5th June meeting when the draft accounts are presented.

F. RISK MANAGEMENT

None.

G. PUBLIC ACCESS TO INFORMATION

Information in this report along with any supporting material is subject to the Freedom of Information Act 2000 and other legislation.