

SCOTTISH POLICE  
AUTHORITY

Meeting	Audit & Risk Committee Meeting
Date and Time	23 October 2014
Location	The Royal Scots Club, Douglas Room, 29-31 Abercromby PI, Edinburgh EH3 6QE
Title of Paper	Technical Update
Item Number	23
Presented By	Sarah Jane Hannah
	For Noting
Appendix Attached: Yes or No	No

**PURPOSE**

To present the Committee with technical updates which may affect the organisation's published financial results.

**RECENT ACCOUNTING DEVELOPMENTS**

The FRC has issued a statement that reconfirms that a true and fair view remains a fundamental requirement of financial reporting. This will generally be achieved by compliance with accounting standards and by additional disclosure to fully explain issues.

The FRC has also issued a report highlighting recommendations for clear and concise reporting, and also a further one considering the presentation and content of accounting policies and related information. The recommendation is that policies should be:

- Written in plain, understandable language
- Describe any judgements made
- Describe new accounting requirements if they significantly impact the financial statements, and present the impact in tabular format.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued an International Framework for good governance and the public sector to define good practice such as:

- Behaving with integrity
- Openness, transparency and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Managing risks and performance through robust internal control and strong public financial management

The Cabinet Office issued EPN 380 Disclosure of salary, pension and compensation information for 2013/14. This now requires remuneration disclosures in bands of £5,000 and an additional calculation for the total value of pension benefits calculated as:

1. the real increase in pension value for the financial period, multiplied by 20, plus
2. the real increase in any lump sum value for the financial period, less
3. any contributions made by the member.

This has been disclosed, as required, within the 2013/14 Draft Annual Report & Accounts

within item 8.2 of the Agenda, and has been subject to audit.

### **Government Financial Reporting Manual (FReM)**

HM Treasury has issued two exposure drafts containing proposed changes to the 2015/16 FReM regarding Fair Value measurement, and simplifying and streamlining the accounts. Comments were invited by 13 October 2014.

### **Scottish Public Finance Manual (SPFM)**

An amendment has been made in order that Central Government bodies, before offering or entering into any settlement agreement under 'severance, early retirement and redundancy terms', should consult Scottish Government by submitting a business case which should include:

- an explanation of the circumstances of the case
- an assessment of the value for money offered by the proposal
- any non-financial considerations.

### **IFRS 9 – Financial Instruments (effective 1 January 2018)**

This identifies the main criterion to be used in determining how financial assets should be classified and measured.

### **IFRS 15 – Revenue from contracts with customers (effective 1 January 2017)**

This will primarily affect long-term service contracts and multiple-element arrangements with customers. The amount or timing of the revenue stream may be affected.

### **IAS 16 and IAS 38 – Property, plant and equipment and Intangible assets (effective 1 January 2015)**

These have been updated to establish the principle for the basis of depreciation and amortisation is the pattern of consumption of the future economic benefit of an asset rather than using any revenue-based methods.

### **Proposed amendments to Standards**

There are proposed amendments including changes to IAS 1 – Presentation of financial statements. Comments were invited by July 2014.

## **RECOMMENDATIONS**

The committee is invited to review the content of this report. It is recommended that:

- the quarterly Technical Update prepared by Audit Scotland be forwarded to Committee members outwith the Audit & Risk Committee in the future
- an annual update of changes and developments in accounting policies, disclosure requirements and recommended best practice be presented along with the Annual Report & Accounts