

**SCOTTISH POLICE
AUTHORITY**

Meeting	SPA Audit Committee
Date	24th July 2018
Location	Pacific Quay, Glasgow
Title of Paper	Technical Update
Item Number	9
Presented By	David Christie
Recommendation to Members	For Noting
Appendix Attached	No

PURPOSE

To present Members with technical updates which may affect the organisation's published financial results. Additional reading material can be made available.

1. BACKGROUND

- 1.1 In line with previous reports, PSOS Finance will provide a quarterly update to the Audit Committee on any legislative changes which may affect the results and production of the Annual Report & Accounts.
- 1.2 This is part of the ongoing preparation for Annual Report and Accounts production to ensure appropriate adjustments in accounting treatment and correct disclosure.
- 1.3 Technical updates that may have an impact on PSOS have been identified, and the Committee will be updated of any developments at future meetings.

2 FURTHER DETAIL ON THE REPORT TOPIC

2.1 THE SCOTTISH GOVERNMENT

The consultation on severance arrangements in the Scottish public sector (A Severance Policy for Scotland) closed in summer 2017, and received over 50 published responses.

- 2.2 The Scottish Government is still considering any changes to the current working protocol through ongoing discussions with Audit Scotland, and the Cabinet Secretary for Finance, Economy and Fair Work will continue to liaise with the Public Audit and Post-Legislative Scrutiny Committee to make progress on this issue.

2.3 INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & INTERNATIONAL AUDITING STANDARDS (IAS)

IFRS 16 – Leases

This Standard eliminates the classification of leases as either operating leases or finance leases (for a lessee). Instead all leases are treated in a similar way to finance leases. In general terms, this will lead to the identification of more lease arrangements as assets on the balance sheet. The effective date for application of the IFRS is 1 April 2019.

- 2.4 Preparatory work within PSOS will focus on data gathering to identify all leases that may fall under the revised accounting treatment arrangements. With regard to final arrangements, this will be informed by further engagement with audit, and reference to ongoing advice and guidance. In particular, the Chartered Institute of Public Finance and Accountancy (CIFPA) has an open consultation

on IFRS16 Leases which will concentrate on application to the public sector. The consultation closes on 7 September 2018.

- 2.5 IFRS 15 – Revenue from Contracts with Customers. This standard will be applied in the Government Financial Reporting Manual (FReM) with effect from 1 April 2019. It aims to ensure that entities recognise revenue in a manner that depicts the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.
- 2.6 It is not anticipated that this will have any significant impact on PSoS reporting and disclosure, although any formally issued guidance changes will be reviewed in the context of any relevant revenues received.
- 2.7 IFRS 9 – Financial Instruments
this standard will be applied in the Government Financial Reporting Manual (FReM) with effect from 1 April 2019. This standard aims to introduce a single approach to classification and measurement of financial instruments.
- 2.8 The standard is mainly concerned with treatment of investments and is not therefore expected to have a significant impact on PSoS reporting, although the FReM will be reviewed for any impact, along with ongoing engagement with auditors.

3 FINANCIAL IMPLICATIONS

- 3.1** There are no direct financial implications in this paper.

4. PERSONNEL IMPLICATIONS

- 4.1 There are no personnel implications associated with this paper.

5. LEGAL IMPLICATIONS

- 5.1 The Board and Accountable Officer are responsible for preparing the Annual Report & Accounts in accordance with the Police and fire Reform (Scotland) Act 2012.

6 REPUTATIONAL IMPLICATIONS

- 6.1 There are extensive reputational implications associated with this paper, due to the number of Section 22 reports which have been made to Scottish Parliament, and the scrutiny the organisation is under.

7. SOCIAL IMPLICATIONS

- 7.1 There are no social implications associated with this paper.

8. COMMUNITY IMPACT

- 8.1 There are no community implications associated with this paper.

9 EQUALITIES IMPLICATIONS

- 9.1 There are no equality implications associated with this paper.

10. ENVIRONMENT IMPLICATIONS

- 10.1 There are no environmental implications associated with this paper.

RECOMMENDATIONS

Members are requested to note the information contained within this report.