

Feedback Comments	Grant Thornton initial comments/ response to feedback comments, and Post Consultation Review held between:	Conclusions
<p><b>DBC</b> = Douglas Borough Council  <b>RUSHEN</b> = Rushen Parish Commissioners  <b>ARBORY</b> = Arbory Parish Commissioners  <b>PEEL</b> = Peel Town Commissioners  <b>C. LEWIN</b> = Charles Lewin  <b>P&amp;WDHC</b> = Peel and Western District Housing Committee  <b>SMP</b> = SMP Partners Limited<sup>*1</sup>  <b>GT</b> = Grant Thornton<sup>*2</sup>  <b>ANON 1-4</b> = Anonymous, allowing publication</p> <p><sup>*1</sup> The views of SMP shown below are that of SMP alone, and not those of the Local Authorities that SMP prepare accounts for.</p> <p><sup>*2</sup> The comments from Grant Thornton are incorporated under the middle column of this feedback document.</p> <p><b>Note 1: Numerical references below</b> (see question 2(ii) feedback comments) are to the references used within the October 2017 Consultation Paper issued by Treasury 'Proposals for Local Government Financial Reporting Requirements 2017', specifically 'Appendix 1: Replacement for SORP';</p> <p><b>Note 2: Page references below</b> (see question 3 feedback comments) are to page numbers found within the proposed Financial Statements template at Appendix 2 to the 'Proposals for Local Government Financial Reporting Requirements 2017'.</p>	<p><b>GT</b> = Grant Thornton  <b>DBC</b> = Douglas Borough Council  <b>AAD</b> = Audit Advisory  <b>SMP</b> = SMP Partners Limited<sup>*1</sup></p> <p><sup>*1</sup> The views of SMP shown below are that of SMP alone, and not those of the Local Authorities that SMP prepare accounts for.</p>	

<p><b>Question 1: Financial Reporting Framework: Presentation &amp; Comparability</b></p> <p>Do you agree that a more appropriate approach to defining financial reporting for the sector would be by organisation type as opposed to financial thresholds e.g. Burial Ground Authorities vs. All other Local Government Bodies?</p> <p><b>ALL, except PEEL:</b> Yes</p> <p><b>PEEL:</b> The Commissioners believe financial threshold (income and expenditure) should be the primary consideration. However, the Commissioners agreed separate financial thresholds could be set for different types of organisations.</p> <p><b>Additional optional comments made by those saying 'Yes':</b></p> <p><b>ANON 3:</b> Due to the significant difference in duties.</p> <p><b>RUSHEN/ARBORY:</b> Although expecting the simpler smarter smaller authorities to report in the same way as the more bureaucratic, less efficient and more complex larger authorities, may add an unnecessary burden to them.</p> <p><b>P&amp;WDHC:</b> Financial Reporting needs to be the same for each sector regardless of income and expenditure, this will provide uniformity and enable comparisons to be made.</p>	<p>All parties in the post consultation review agreed that financial reporting for the sector should be by organisation type as opposed to financial thresholds e.g. Burial Ground Authorities vs. All other Local Government Bodies.</p>	<p><b>Conclusion:</b> After taking all comments into consideration, it was decided to continue as proposed, with Financial reporting to be by:</p> <ul style="list-style-type: none"> <li>• Local Government (Schedule 5 in the Regulations); and</li> <li>• Burial Ground Authority (Schedule 6 in the Regulations).</li> </ul>
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<p>Question 2 – Updating &amp; Simplification of SORP for all Local Government Bodies</p> <p>(i) Do you agree that the existing SORP should be replaced and simplified?</p> <p><b>All:</b> Yes</p> <p><b>Additional optional comments made:</b>  <b>SMP:</b> Yes. Necessary with the release of new accounting standards in recent times.</p> <p><b>PEEL:</b> The Commissioners believe the SORP requires updating to bring it up to date and consistent with other well managed jurisdictions. The matter has been subject to comment by the Commissioners’ external auditor in their audits of the 2015/16 and 2016/17 annual statement of accounts.</p> <p><b>P&amp;WDHC:</b> Yes. The existing financial reporting under the Isle of Man 2007 SORP should be changed to bring it into line with and reflect the changes in the UK and (international accounting frameworks). The Isle of Man 2007 SORP is now out dated and needs updating. There is a need to simplify the accounts for all Local Government Bodies and make them easier for stakeholders to understand.</p>	<p>All parties agreed in both the Consultation replies received, and the post consultation review.</p>	<p><b>Conclusion:</b> Continue as proposed, replacing and simplifying the SORP.</p>
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<p>Question 2 – Updating &amp; Simplification of SORP for all Local Government Bodies</p> <p>(ii) Are there any amendments that you think Treasury should consider in relation to the proposed requirements at Appendix 1 as to how they would apply to general Local Government bodies (i.e. non-Burial Ground Authorities)?</p> <p><b>DBC, PEEL, P&amp;WDHC, SMP and ANON 1, 2: Yes</b>  <b>RUSHEN, ARBORY, C. LEWIN and ANON 3, 4: No</b></p> <p><b>Additional optional comments made by those respondents who replied ‘Yes’:</b>  <b>ANON 1:</b> More rigid framework on categorisation of expenses to allow closer comparative between Local Government bodies, which can only lead to best practice and value for rate payers.</p>	<p>The post consultation review meeting noted that the income and expenditure items in the Comprehensive Income and Expenditure Statement could be further explained by reference to Notes to the Accounts as indicated on the Statement presently.</p> <p>Considered, however Appendix 2, the Financial Statements Template, states on its cover that “Accounting policies, primary statement line items, and notes are only required for material areas, tailored to the circumstances of each authority”.</p>	<p><b>Conclusion:</b> After taking all comments into consideration, it was decided to continue as proposed.</p>
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<p><b>3.2.1 (a) Explanatory foreword:</b>  <b>SMP:</b> Within the explanatory foreword, prominence should be given to the General Fund or rate borne result for the year. This section refers to overall performance which will vary significantly from year to year depending on factors such as property revaluations, and significant housing spend. As a firm, we currently act for a significant number of entities subject to these requirements and initial stakeholder interest is without question on the level of General Revenue reserves held. Guidance in Appendix 1 section 3.2 1 (a) refers to overall results and significant Balance Sheet items only. In our opinion, it is recommended that the General Fund balance is specifically referred to here, together with a considered review of the general fund surplus/deficit for the year and a summary/explanation of the general fund results achieved for the year.</p> <p><b>P&amp;WDHC:</b> Within the explanatory foreword, prominence should be given to the General Fund or rateborne result for the year. This section refers to overall performance which will vary significantly from year to year depending on factors such as property revaluations, and significant housing spend. It has been established that Stakeholder interest is without question on the level of General Revenue reserves held. Guidance in Appendix 1 section 3.2 1 (a) refers to overall results and significant Balance Sheet items only. In the Committee's opinion, it is recommended that the General Fund balance is specifically referred to here, together with a considered review of the general fund surplus/deficit for the year and a summary/explanation of the general fund results achieved for the year.</p>	<p><b>Explanatory Foreword:</b>                  A lot of discussion took place here, by all parties, on the Explanatory Foreword, and alongside pt. 3.2.2 below on the Statement of Movement on Reserves.</p> <p>All agreed on the conclusions reached alongside here.</p> <p><b>GT:</b> Thought Authorities should put whatever they feel appropriate in the explanatory foreword.</p> <p><b>SMP</b> suggested that the internal and external auditors and accountants could also be named here.</p> <p><b>AAD</b> suggested that naming of all Board members was important.</p> <p><b>GT</b> suggested that it was an opportunity to put in the committees that members belonged to.</p> <p><b>SMP</b> and <b>DBC</b> both stressed that ratepayers were interested in the rate borne figure, which in the consultation paper is not clearly shown.</p> <p><b>DBC</b> disagreed that subparagraph four need mention significant impacts from the Comprehensive Income and Expenditure Account.</p>	<p><b>Explanatory Foreword:</b>  <b>Conclusion:</b> The first page of the report be a separate statement to do with members, officers, and advisors, that is, the first and the third subparagraphs of the consultation paper's Explanatory Forward.</p> <p><b>Conclusion:</b> Subparagraph four of the report be changed to include the word 'financial' before 'performance', and to state at the end 'to include a summary of the rate borne results, and the principal reason for the difference with the Comprehensive Income and Expenditure Statement'.</p> <p><b>Conclusion:</b> The words in the fifth subparagraph 'with a more detailed look at the significant Balance Sheet items' be deleted.</p> <p><b>Conclusion:</b> The second last subparagraph to be shown on a separate statement, separately signed off, called 'Statement on Internal Control'.</p>
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<p><b>DBC:</b> final bullet point; an analysis of issues likely to shape future performance is not relevant to a set of historic accounts. Such an analysis would be speculative and subjective. It is noted that this is listed as something that “could” be included. Would recommend that this suggestion be deleted.</p> <p><b>PEEL:</b> In bullet point 4 the general fund balance, general fund surplus/deficit and a summary of the general fund results achieved for the year could be recommended for inclusion.</p> <p>It could be recommended the explanatory forward is retitled a ‘Statement by the Chairman and senior officer of the authority’ to improve accountability for providing this specific overview for each financial year in the Statement of Accounts.</p>	<p>The last sub-paragraph, ‘an analysis of issues that are likely to shape future performance’ concerned <b>DBC</b> and <b>SMP</b>. <b>GT</b> and <b>AAD</b> both reiterated that the sub-paragraph was forward looking and freeform, although <b>AAD</b> strongly suggested that it needed to show a summary of risks to be addressed and that the retention of a Statement of Internal Control (‘SIC’) would ensure these issues were considered. It was noted by the reviewers that Onchan Commissioners accounts, and <b>DBC</b> accounts, for example, both had good specimen examples of such SIC.</p>	
<p><b>3.2.2 Presentation of information in the Comprehensive Income and Expenditure Statement:</b></p> <p><b>SMP:</b> Whilst the Comprehensive Income and Expenditure Statement reaches an overall surplus, there is no Statement of Movement on General Fund Balance within the proposed financial statements. In relation to the point above, this removes the prominence of the General Fund result and reserve to be carried forward. It is noted that this can be found within the Statement of Movement of Reserves, together with a summary of all other reserves of an entity. We feel that consideration should be given to reintroducing the Statement of Movement on General Fund Balance as a stand alone primary statement. Alternatively, there is a document entitled "Understanding Local Authority Financial Statements 2016" produced by CIPFA in the UK in 2016</p>	<p><b>Considering all issues raised in all feedback alongside, pt. 3.2.2:</b></p> <p><b>GT:</b> Felt this was adequately covered in the first column of the Statement of Movement in Reserves, which is essentially the old Statement of Movement on General Fund Balance (‘SMGFB’) with the addition of being able to see the other side of each transfer. GT had tried to slim down the (specimen) accounts wherever possible. GT discussed this at length, but thought the suggested “Expenditure and Funding analysis” would be difficult to produce, colleagues of GT in the UK having found this challenging.</p>	<p><b>Conclusion:</b> to the wording in the ‘Statement of Movement on Reserves:</p> <ul style="list-style-type: none"> <li>• ‘General fund’ relabelled ‘General rate fund’;</li> <li>• ‘Usable’ deleted from ‘Usable capital receipts reserve’.</li> </ul> <p><b>Conclusion:</b> Transfers 1-8 within the Statement of Movement on Reserves be renamed to:</p> <ul style="list-style-type: none"> <li>- <b>“Depreciation and impairment of fixed assets</b></li> <li>- <b>Net charges made for retirement benefits</b></li> </ul>

<p>which addresses this issue in more detail. It focuses on the delivery of financial statements to members and other stakeholders and discusses the need both in the narrative within the financial statements and the statements themselves for clarity. Specifically it references "although some information is provided on General Fund and HRA balances this hasn't always been easy to identify". They have addressed the issue with the creation of an Expenditure and Funding Analysis. Given that this is a known issue in the UK, we would suggest this be given due consideration at this time on the Island.</p> <p><b>P&amp;WDHC:</b> Whilst the Comprehensive Income and Expenditure Statement reaches an overall surplus, there is no Statement of Movement on General Fund Balance within the proposed financial statements. In relation to the point above, this removes the prominence of the General Fund result and reserve to be carried forward. It is noted that this can be found within the Statement of Movement of Reserves, together with a summary of all other reserves of an entity. The Committee feel that consideration should be given to reintroducing the Statement of Movement on General Fund Balance as a stand alone primary statement.</p> <p><b>PEEL:</b> There is no Statement of Movements on the General Fund Balance or Housing Revenue Account Balance within the proposed financial statements.</p> <p>Although this can be found within the Statement of Movement of Reserves, together with a summary of all other reserves of an entity. The Commissioners' Accountant has advised consideration should be given to reintroducing separate Statement of Movements on</p>	<p><b>GT</b> brought the discussion to revolve mainly around Appendix 2, Statement of Movement on Reserves.</p> <p><b>SMP</b> reiterated the unwieldiness of this Statement, and that it should be simpler.</p> <p><b>DBC</b> stated that the transfers between reserves were many and varied.</p> <p><b>GT</b> further explained that the last column to the Statement of Movement on Reserves, 'Other reserves', was designed to cover, by aggregation, reserves not specifically mentioned in the table, and the column 'Other reserves' could be further described by way of a referring Note. <b>GT</b> reiterated the comments made above to do with a proposed 'Expenditure and Funding Analysis' not being essential. Furthermore, <b>GT</b> restated that figures for revaluation movements and impairments are often significant and should be shown.</p> <p>The order of documents in the Local Authority ('LA') financial statements template was agreed upon (see Conclusions alongside).</p> <p><b>Suggestion:</b> <b>AAD</b> called for <b>GT</b> to provide examples of what may be standard 'transfers' to improve</p>	<ul style="list-style-type: none"> <li>- <b>Gain/loss on disposal of fixed assets</b></li> <li>- <b>Loan fund principal repayments</b></li> <li>- <b>Fixed assets financed from General Fund</b></li> <li>- <b>Transfer to / from Housing Revenue Account</b></li> <li>- <b>[Other reserves transfers]</b>".</li> </ul> <p><b>Conclusion:</b> That the order of documents in the Local Authority ('LA') financial statements template be:</p> <ol style="list-style-type: none"> <li>1. Members, Officers and Advisors</li> <li>2. Explanatory Forward</li> <li>3. Statement of Responsibilities for the Statement of Accounts</li> <li>4. Audit report</li> <li>5. Statement on Internal Control</li> <li>6. Primary statements</li> <li>7. Accounting Policies and Significant estimates and judgements</li> <li>8. Further notes to the accounts</li> </ol>
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<p>General Fund Balance and Housing Revenue Account Balance as a stand alone primary statements. Alternatively, He has advised there is a document entitled "Understanding Local Authority Financial Statements 2016" produced by CIPFA in the UK in 2016 which addresses this issue in more detail. It focuses on the delivery of financial statements to members and other stakeholders and discusses the need both in the narrative within the financial statements and the statements themselves for clarity. Specifically it references "although some information is provided on General Fund and HRA balances this hasn't always been easy to identify". They have addressed the issue with the creation of an Expenditure and Funding Analysis. Given that this is a known issue in the UK, the Commissioners support their Accountant's view on this matter and recommend consideration should be given to reinstating separate Statement of Movements into the General Fund Balance and Housing Revenue Account Balance.</p>	<p>the descriptions in the Statement of Movement on Reserves.</p> <p><b>GT</b> immediately after the meeting provided the following examples:          "we have listed below the main adjustments that are typically made to the General Fund / Housing Fund:</p> <ul style="list-style-type: none"> <li>- <b>Depreciation and impairment of fixed assets</b></li> <li>- <b>Net charges made for retirement benefits</b></li> <li>- <b>Gain/loss on disposal of fixed assets</b></li> <li>- <b>Loan fund principal repayments</b></li> <li>- <b>Fixed assets financed from General Fund</b></li> <li>- <b>Transfer to / from Housing Revenue Account</b></li> <li>- <b>[Other reserves transfers]</b>".</li> </ul> <p>This suggestion above is supported by <b>AAD</b>.</p>	
<p><b>3.2 4 b (i) Non-current assets – measurement after initial recognition:</b>  <b>SMP:</b> reference is made to depreciated historical cost in respect of assets under construction which seems inconsistent with page 4, section (b) of Appendix 2.</p> <p><b>DBC:</b> that assets under construction be measured at historical cost, as they are not depreciable assets. This change would make this section consistent with page 4, section (b), of Appendix 2.</p>	<p>All agreed that there was an inconsistency.</p>	<p><b>Conclusion:</b>          The Statement of Accounting Policies to show 'historic cost' not 'depreciated historic cost' as a measurement basis for Assets under construction.</p>

<p><b>PEEL:</b> This statement appears to be inconsistent to paragraph (b) in Appendix 2 on page 4 with assets under construction being measured on historical cost only.</p>		
<p><b>3.2 4 b (ix) ) Non-current assets – measurement after initial recognition (continued):</b>  <b>DBC:</b> remove the need to revalue all assets within each class of assets simultaneously, as long as the requirement for a rolling valuation being undertaken within 5 years is achieved. Revaluing on a rolling 5-year programme reduces the impact on any one year’s set of accounts from the valuation exercise. 88% of the Council’s Total Assets less Current Liabilities as at 31<sup>st</sup> of March 2017 was in one class of assets so revaluing that class in full every 5 years could lead to very large Balance Sheet movements in every 5<sup>th</sup> year. Alternatively, the second sentence could be changed to replace “a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within <i>a short period</i>” with “a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within 5 years”.</p>	<p>All agreed.</p>	<p><b>Conclusion:</b>                  To change the wording in the Revaluation accounting policy note as indicated by stating that “a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within 5 years”.</p>

<p><b>3.2 4 b Measurement Decision for an Item of Property, Plant and Equipment (flowchart):</b></p> <p><b>DBC 1<sup>st</sup> pt.:</b> The formatting be changed to show all wording;</p> <p><b>DBC 2nd pt.:</b> is added as being measured at historical cost;</p> <p><b>DBC 3<sup>rd</sup> pt.:</b> Assets under Construction are added as being measured at historical cost.</p>	<p>All agreed to comments below:</p> <p>All agreed on the comment made by DBC against the 1st point, and the flowchart’s text boxes should not truncate the text therein;</p> <p><b>GT</b> persuaded <b>DBC</b> of the need to follow the flowchart to ascertain whether land is measured on a depreciated historical cost or current value basis.</p> <p>The 3rd point is the same point as the 1st, truncation of the flowchart’s text boxes, which all agreed needs to be corrected.</p>	<p><b>Conclusion:</b> Correct truncation of flowchart’s textboxes.</p>
<p><b>3.2 4 c (iii) Depreciation of non-current assets:</b></p> <p><b>DBC:</b> that historical cost for assets subject to depreciation and obtained prior to 31st March 2009 is defined as being the valuation as at 1st April 2009. This definition is consistent with the old CIPFA SORP (except for the year due to the UK SORP being introduced earlier than the Isle of Man one). Purchases of property occurred over the course of over a century. The level of detail over that time is not sufficient to sub-divide the historic cost of the fixed assets between each of the individual assets. The approach of defining historic cost on pre-31/3/2009 assets as being the 1/4/2009 valuation is a practical solution to this issue.</p>	<p>After discussion, it was decided that each Local Authority needs to use its professional judgement, and that the historic cost used for property needs to stand up to audit scrutiny.</p>	<p><b>Conclusion:</b> After taking all comments into consideration, it was decided to continue as proposed.</p>

<p>Question 3 – Financial Statements Template for all Local Government Bodies except Burial Ground Authorities:</p> <p>Are there any amendments that you think Treasury should consider in relation to the proposed Financial Statements template at Appendix 2?</p> <p><b>RUSHEN, ARBORY, C. LEWIN and ANON 1, 3, and 4:</b> No <b>DBC, P&amp;WDHC, SMP, PEEL and ANON 2:</b> Yes</p> <p><b>Additional optional comments made by those respondents who replied ‘Yes’:</b></p> <p><b>Appendix 2 in general:</b> <b>SMP:</b> We have set out in question 2 our main point regarding the financial statements template. We have assumed that the template is produced for guidance only and that disclosures will vary from Authority to Authority and that there is scope for the template to be tailored accordingly. Nonetheless we have highlighted areas for minor refinement ahead of its issue.</p> <p><b>PEEL:</b> The Commissioners believe the Appendix 2 financial statement template should be provided for guidance only. This will permit the flexibility for Local Authorities to tailor this template for the reporting of their specific accounts. It is on this basis the Commissioners have provided their response(s) to this consultation.</p>	<p>All points raised were discussed in more detail. <b>GT</b> reiterated that in summary there are some specific disclosures driven by the standard, and there are a few places where <b>DBC</b> and others have suggested to add specific additional wording but <b>GT</b> would like to leave the template as it is (there is a clear note on the cover that it should be tailored as appropriate).</p> <p>As a general point <b>GT</b> felt that the template is just intended to be a framework and not exhaustive, and should be tailored to the circumstances of each Authority.</p>	<p><b>Conclusion:</b> After taking all comments into consideration, it was decided to continue as proposed.</p>
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<p><b>ANON 2:</b> As well as not requiring those entities outside the statutory audit regime to prepare a cash flow statement, other simplifications for these smaller bodies could be considered in line with Appendix 1A of FRS102. For example:</p> <ul style="list-style-type: none"> <li>- a simpler income and expenses account without the remainder of the comprehensive income and expenditure statement (similar to that proposed for the burial authorities).</li> <li>- reduced disclosure requirements in the notes to the financial statements.</li> </ul> <p><b>Page 1 Explanatory Foreword:</b>  <b>DBC:</b> as set out above, recommend deletion of the final suggestion as the Statement is not about the future.</p>	<p>Explanatory Forward commented upon in depth, as noted above under Question 2 (ii) 3.2.1(a) above.</p>	
<p><b>Page 2 Statement of Accounting Policies. Basis of Preparation:</b>  <b>DBC:</b> that the financial statements are presented to the nearest £1,000, or £, dependent on the scale of the organisation.</p>	<p>All agreed, however there is no change to the template required as the Local Authority can decide whether to report in £s of £000s.</p>	<p><b>Conclusion:</b> Continue as proposed.</p>
<p><b>Page 2 (a) Rates receivable:</b>  <b>DBC:</b> that the word “unoccupied” is replaced by “uninhabitable”, in line with current legislation.</p>	<p>All agreed.</p>	<p><b>Conclusion:</b> Amend reference in Rates Receivable accounting policy note and template to be ‘uninhabitable’ properties, not unoccupied properties.</p>
<p><b>Page 2 (b) Social Housing Rentals:</b>  <b>DBC:</b> that the wording is simplified to be “Rent income is accounted for on an accruals basis”.</p>	<p>All agreed.</p>	<p><b>Conclusions:</b></p> <ul style="list-style-type: none"> <li>• That the accounting policy note ‘Social Housing Rentals’ be renamed ‘Rentals’;</li> <li>• That the wording ‘Rentals received in</li> </ul>

		relation to investment properties are credited to the Statement of Comprehensive Income and Expenditure' under the accounting policy note for Investment Property, be deleted as unnecessary.
<p><b>Page 4 a) Recognition. Second paragraph:</b>  <b>DBC:</b> that this be changed to confirm that the costs of large “planned <b>maintenance</b>” schemes should be capitalised, in line with the current SORP (see page 22 of that document).</p>	All agreed, no change required.	<b>Conclusion:</b> Continue as proposed.
<p><b>Page 4 b) Measurement (Valuation Bases). Second paragraph:</b>  <b>DBC:</b> that the measurement bases on the second paragraph be extended to include:</p> <ul style="list-style-type: none"> <li>- investment properties;</li> <li>- other land and buildings;</li> <li>- vehicles, plant &amp; equipment;</li> <li>- intangible assets.</li> </ul>	<p><b>GT</b> confirmed to the group that the measurement bases for these four categories of assets were covered by the measurement bases already disclosed in the template, and the note on Intangible fixed assets, also in the template.</p> <p>All agreed therefore, that there was no change to be made.</p>	<b>Conclusion:</b> Continue as proposed.
<p><b>Page 5 c) Revaluation (Continued):</b>  <b>DBC:</b> that the final paragraph of section c is replaced by the following two paragraphs to make the requirement clearer:</p> <p><b>DBC 1<sup>st</sup> pt.:</b> “where there is no balance in the Revaluation Reserve the carrying amount of the asset is</p>	<p><b>GT</b> explained that the present note on Revaluations was clearer, more concise, and more consistent with the accounting standard FRS 102.</p> <p>All accepted on the understanding that it</p>	<b>Conclusion:</b> Continue as proposed.

<p>written down against the relevant service line in the Comprehensive Income and Expenditure Account.”</p> <p><b>DBC 2<sup>nd</sup> pt.:</b> “where there is an insufficient balance in the Revaluation Reserve the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Account by the excess over the accumulated gain in the revaluation reserve.”</p>	<p>was just a template and that if an individual local authority felt a longer description helpful, then it could be used.</p>	
<p><b>Page 5 d) Impairment:</b>  <b>DBC:</b> in line with the preceding point it would be clearer if the two bullet points were replaced with three being identical to the three bullet points in section c).</p>	<p>As above, same point, no change.</p>	<p><b>Conclusion:</b> Continue as proposed.</p>
<p><b>Page 6 Investment Property:</b>  <b>DBC:</b> that the requirement for annual valuations is amended to a 5 yearly requirement, as at present. The costs of revaluing annually would be disproportional to the benefit, particularly for entities that currently only revalue all of their assets in one exercise every 5 years</p>	<p>Agreed, reinvestment property wording. All agreed.</p>	<p><b>Conclusion:</b>                  That the Statement of Accounting Policies for Investment Property amend ‘annual revaluation’ to ‘five yearly revaluation’.</p>
<p><b>Page 6 Government Grants and Contributions:</b>  <b>SMP:</b> We note that an accounting policy has been included in respect of Government Grants and Contributions which we agree is sensible and adds value. We would suggest that this proposed policy be discussed with the current auditors and clarification sought as this has been an area of discussion in recent years and the policy within the template may not accord with current accounting treatment.</p> <p><b>DBC:</b> that the sub-title “Government Grants and</p>	<p>All participants in the meeting suggested that this discussion topic be deferred.</p>	<p><b>Conclusion:</b> Continue as proposed.</p>

<p>Contributions” be altered to include the words “third party” before “Contributions”.</p> <p><b>PEEL:</b> An accounting policy has been included in respect of Government Grants and Contributions which is sensible and adds value. The Commissioners’ Account has advised this has been an area of discussion in recent years and the Commissioners would like to see further discussion with the external auditors on the policy to ensure it fully accords with current accounting treatment.</p>		
<p><b>Page 6 b) Capital Grants:</b>  <b>SMP:</b> We understand that capital grants are not reflected in the Comprehensive Income and Expenditure Account but are carried in the Balance Sheet and released to the Income and Expenditure Account to match the period over which depreciation is charged to the asset in question.</p> <p><b>DBC:</b> that the sub-title “Capital Grants” be amended to add “and Contributions”.</p> <p><b>PEEL:</b> It is the Commissioners’ understanding that capital grants are not reflected in the Comprehensive Income and Expenditure Account but are carried in the Balance Sheet and released to the Income and Expenditure Account to match the period over which depreciation is charged to the asset in question.</p>	<p>As a result of the respondents comments the following wording was put forward by GT for agreement:</p> <p>‘Donations and grants toward the cost of capital assets are credited to deferred income, and released over the life of the asset to match the depreciation of the asset to which it relates’.</p>	<p><b>Conclusion:</b>                  To add into the Capital Grants accounting policy the following wording:</p> <p>‘Donations and grants toward the cost of capital assets are credited to deferred income, and released over the life of the asset to match the depreciation of the asset to which it relates’.</p>

<p><b>Page 6 c) Housing Deficiency:</b>  <b>SMP:</b> should this say the "shortfall of housing income over housing expenditure" rather than "housing receipts"? In addition "Department of Local Government and Environment" should be amended to "Department of Infrastructure".</p> <p><b>DBC 1<sup>st</sup> pt.:</b> that the word "receipts" be replaced by "costs"; and</p> <p><b>DBC 2<sup>nd</sup> pt.:</b> that "the Department of Local Government and the Environment" be replaced by "the Department of Infrastructure".</p> <p><b>PEEL:</b> – the Commissioners believe this should say the "shortfall of housing income <u>over housing expenditure</u>" and the "<u>Department of Infrastructure</u>"</p> <p><b>P&amp;WDHC:</b> should this in fact state "shortfall of housing income over housing expenditure" rather than "housing receipts"? In addition "Department of Local Government and Environment" needs to be amended to "Department of Infrastructure".</p>	<p>All agreed to the points raised alongside</p>	<p><b>Conclusion:</b> To the Housing Deficiency accounting policy:</p> <ol style="list-style-type: none"> <li>1. replace 'housing receipts' with 'shortfall of housing income over housing expenditure';</li> <li>2. that 'the Department of Local Government and the Environment' be replaced by 'the Department of Infrastructure'.</li> </ol>
<p><b>Page 7 Leases:</b>  <b>DBC 1<sup>st</sup> pt.:</b> that the wording in the second paragraph is amended from "on a straight-line basis over the lease term" to "on an accruals basis over the lease term" as the proposed approach seems unnecessarily complex; and</p> <p><b>DBC 2<sup>nd</sup> pt.:</b> that the word "group" is replaced by "authority".</p>	<p>After discussion, all agreed.</p>	<p><b>Conclusion:</b></p> <ol style="list-style-type: none"> <li>1. That the wording in the second paragraph be amended from 'on a straight-line basis over the lease term' to 'on an accruals basis over the lease term'; and</li> <li>2. that the word "group" is replaced by "authority".</li> </ol>

<p><b>Page 7 Stocks:</b>  <b>DBC:</b> that “cost” be replaced with “average cost”.</p>	<p><b>GT</b> explained the requirement under FRS102 to have stock valued at ‘the lower of cost and net realisable value’.</p> <p><b>DBC</b> described the specific difficulties they face.</p> <p>All agreed that there was to be no change to the accounting policy wording for Stocks as stated in the template.</p>	<p><b>Conclusion:</b> Continue as proposed.</p>
<p><b>Page 7 Creditors:</b>  <b>DBC:</b> that the wording for bank loans be amended to say that they are valued at “the amount outstanding”, as at present. Using an amortised cost based on an effective interest method seems unhelpfully complex.</p>	<p>Discussion centred around present practice, and its difference to the template.</p> <p>It was agreed by all to leave the accounting policy for Creditors as it is in the template at present, and users can amend for their own accounting policy they apply.</p>	<p><b>Conclusion:</b> Continue as proposed.</p>
<p><b>Page 7 (b) Defined benefit pension plan:</b>  <b>DBC:</b> that the date be removed from the end of Isle of Man Local Government Superannuation Scheme Regulations, as there is no need for it. Removing the date would prevent entities continuing to refer to out of date regulations in the future when the 2013 regulations are superseded.</p>	<p>All agreed to take the year of the Regulations out to facilitate the general reference to the Regulations.</p>	<p><b>Conclusion:</b>                  Take out the year of the Regulations presently showing in the template under the accounting policy for Defined Benefit Pension Plan.</p>
<p><b>Page 8 (b) Defined benefit pension plan (Continued):</b>  <b>DBC:</b> that the final sentence is removed from the paragraph, as it is superfluous;   <b>DBC:</b> third paragraph; that the wording is changed from</p>	<p>Discussion was held over the phrase’s clarity and appropriateness to Local Authorities. All agreed to its removal due to probable non-applicability.</p> <p><b>AAD</b> and <b>GT</b> made a strong case for keeping</p>	<p><b>Conclusion:</b>                  Delete the sentence in the Defined Benefit Pension Plan accounting policy note: ‘A defined benefit plan is a pension plan that is not a defined contribution plan’.</p>

<p>“independent actuaries” to “the fund actuary”. Currently the fund actuary is an independent company but that may not always be the case in the future.</p>	<p>the word ‘independent’ to describe the actuary. All agreed, no change, and to keep the word ‘independent’ in.</p>	
<p><b>Page 9 Revenue Funds for Capital Purposes:</b> <b>SMP, PEEL and P&amp;WDHC:</b> Consideration should be given as to whether this is required.</p> <p><b>DBC:</b> local authorities need permission from the Department of Infrastructure for each separate reserve they set up. The Council has earmarked reserves for certain purposes but they are for both revenue and capital purposes. It is suggested that this paragraph be deleted from the template as the first paragraph already makes it clear that an explanation of significant reserves must be given. Authorities can come up with notes appropriate to explain their reserves.</p>	<p>All agreed.</p>	<p><b>Conclusion:</b> Delete accounting policy for ‘Revenue Funds for Capital Purposes’ from the template.</p>
<p><b>Page 12 Report of the Independent Auditor:</b> <b>DBC:</b> the title should read “...to the Council/Commissioners...”</p>	<p>No change, agreed by all.</p>	<p><b>Conclusion:</b> Proceed as proposed.</p>
<p><b>Page 13 Comprehensive Income and Expenditure Statement:</b> <b>SMP, PEEL and P&amp;WDHC, (1):</b> we assume headings can be tailored entity by entity. "Interest receivable and similar income" should be added to the example headings.</p> <p><b>SMP, (2):</b> Total Comprehensive Income and Expenditure as a bottom line heading will not necessarily enable ease of comparison between years particularly in years of</p>	<p>All agreed, and all agreed to include ‘Interest receivable and other income’ above ‘Interest payable and similar charges’ in the Comprehensive Income and Expenditure Statement.</p> <p>Comments made by <b>SMP(2), PEEL, and P&amp;WDHC</b> discussed under 3.2.2 Presentation of information in the</p>	<p><b>Conclusion:</b> Include ‘Interest receivable and other income’ above ‘Interest payable and similar charges’ in the Comprehensive Income and Expenditure Statement.</p>

<p>reevaluation. Neither will it aide ease of understanding of financial statements by non qualified accountants with no technical qualification or experience. Under current reporting, this is achieved by reference to the result on the Statement of Movement on General Fund Balance. Having presented accounts to a significant number of entities/authorities, the rate fund result is of utmost relevance to members and other stakeholders, indeed, it is our starting point for any presentation. This will be made more difficult if the proposed template is not amended in some way.</p> <p><b>PEEL:</b> Total Comprehensive Income and Expenditure as a bottom line heading will not necessarily enable ease of comparison between financial accounting years. This will be a particularly problem in years of revaluation. Neither will it aide ease of understanding of financial statements by non qualified accountants and new Board members with no technical qualification or experience. Under current reporting, this is achieved by reference to the result on the Statement of Movement on General Fund Balance this fund as referenced in the Commissioners’ response to question 2 is significant accountancy matter for members and the rate payer. Accessing this information will be made more difficult if the proposed template is not amended in some way.</p> <p><b>P&amp;WDHC:</b> Total Comprehensive Income and Expenditure as a bottom line heading will not necessarily enable ease of comparison between years particularly in years of revaluation. Neither will it aide ease of understanding of financial statements by non qualified accountants with no technical qualification or experience. Under current reporting, this is achieved by reference to the result on</p>	<p>Comprehensive Income and Expenditure Statement above.</p>	
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<p>the Statement of Movement on General Fund Balance.</p> <p><b>DBC:</b> Other Comprehensive Income and Expenditure;</p> <p><b>DBC 1<sup>st</sup> pt.:</b> It would help if it was made clear, perhaps by means of a footnote, that the list of services shown at the top of the page is just an example and individual authorities are at liberty to choose a breakdown that they see as appropriate;</p> <p><b>DBC 2<sup>nd</sup> pt.:</b> should be “Surplus/deficit on disposal of fixed assets” rather than “Surplus/deficit on revaluation of fixed assets”;</p> <p><b>DBC 3<sup>rd</sup> pt.:</b> “Interest and investment income” should be included in the listing.</p>	<p>All agreed that flexibility is allowed. No change recommended.</p> <p>Not agreed.</p> <p>Agreed.</p>	
<p><b>Page 14 Statement of Movement on Reserves:</b>  <b>SMP and P&amp;WDHC:</b> we have commented above regarding the omission of the current Statement of Movement on General Fund Balance. There will be a considerable amount of detail required on this page if this statement is omitted and the Statement of Movement on Reserves retained. A detailed listing can be obtained by reviewing current financial statements. This is likely to include capital loan repayments, depreciation, remeasurement of pension liability, capital expenditure met from general fund, transfer of housing reserve surplus, under/overspend on housing maintenance allowance, under/overspend on community areas allowances, under/overspend on heating reserves. This is a large amount of detail to be entered onto an amalgamated schedule which we consider may not be easy to understand. We are not of the opinion that this</p>	<p>Discussed under 3.2.2 Presentation of information in the Comprehensive Income and Expenditure Statement above.</p>	<p><b>Conclusion:</b> As stated above under point ref. 3.2.2.</p>

<p>will be an improvement to the current disclosures. We understand the difficulties of the application of accounting standards in practical terms but would suggest this will add complexity and not accord with the aim of simplification of the accounts referred to in question 2. We have also referred to UK considerations in our response to question 2.</p> <p><b>PEEL:</b> The current separate Statement of Movements on General Fund Balance and Housing Revenue Account Balances are omitted as referred to above. There will be a considerable amount of detail required on page 14 if these separate statement are omitted and the Statement of Movement on Reserves retained. A detailed listing can be obtained by reviewing the Commissioners’ current financial statements. This is likely to include capital loan repayments, depreciation, remeasurement of pension liability, capital expenditure met from general fund, transfer of housing reserve surplus, and under/overspend on housing maintenance allowance. This is a large amount of detail to be entered onto an amalgamated schedule which will be more complicated to understand. The Commissioners are not of the opinion that this will be an improvement to the current disclosures. The Commissioners understand the difficulties of the application of accounting standards in practical terms but would suggest this will add complexity and not accord with the aim of simplifying the accounts referred to the Commissioners’ response to question 2 above.</p> <p><b>DBC:</b> that the list on the left are amended to reflect categories of movements such as “Contributions”, “Revenue expenditure”, “Capital expenditure”, “Re-measurements” and “Transfers between Reserves”,</p>		
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<p>rather than a list of individual transfers which would be overly detailed.</p>		
<p><b>Page 15 Balance Sheet:</b>  <b>SMP, PEEL and P&amp;WDWC:</b> housing revenue reserve is referred to twice, one reference should be to housing maintenance reserve perhaps or omitted?   <b>DBC: Reserves</b>  <b>DBC 1<sup>st</sup> pt.:</b> the housing revenue reserve is mentioned twice;   <b>DBC 2<sup>nd</sup> pt.:</b> the word “Usable” is not required in respect of capital receipts, as there are none unusable.   <b>PEEL:</b> The Commissioners believe the amendment for the responsible finance officer to sign the balance sheet is a positive change. This fully accords with the requirement relation 11 (3)(b) of the Accounts and Audit Regulations. In the current Statement of Accounts the balance sheet was signed by the local authority’s senior officer and not the responsible finance officer. This additional signature could be retained to improve corporate responsibility and accountability for the accounts.</p>	<p>All agreed.</p> <p>All agreed to delete one instance.</p> <p>All agreed.</p> <p>All agreed. It was decided to keep the signatures required to the Balance Sheet to be made by both the Chairman and the RFO (Responsible Financial Officer), and more signature(s) may be added if the LA deem the need.</p>	<p><b>Conclusion:</b></p> <ol style="list-style-type: none"> <li>1. Delete one instance of ‘Housing Revenue Reserve’ in the Balance Sheet;</li> <li>2. delete the word ‘usable’ against ‘capital receipts reserve’ in the Balance Sheet;</li> </ol>
<p><b>Page 17 Tangible fixed assets, Operational assets:</b>  <b>DBC:</b> needs a “Reversal of depreciation on revalued assets” row under the depreciation section.</p>	<p>All agreed to need for added wording (although this was not meant to be exhaustive).</p>	<p><b>Conclusion:</b>  Add a “Reversal of depreciation on revalued assets” row under the depreciation section.</p>

<p><b>Page 18 Non-Operational assets:</b>  <b>DBC 1<sup>st</sup> pt.:</b> need to add rows for both “Transfers” and “Revaluations” as categories under the “Cost or valuation” section;   <b>DBC 2<sup>nd</sup> pt.:</b> needs a “Reversal of depreciation on revalued assets” row under the depreciation section.</p>	<p>All agreed.                   All agreed.</p>	<p><b>Conclusion:</b></p> <ol style="list-style-type: none"> <li>1. Add rows for both “Transfers” and “Revaluations” as categories under the “Cost or valuation” section;</li> <li>2. add a “Reversal of depreciation on revalued assets” row under the depreciation section.</li> <li>3. add a ‘Transfers’ row under the depreciation section.</li> </ol>
<p><b>Page 19 Assets held:</b>  <b>DBC 1<sup>st</sup> pt.:</b> the word “units” should appear after sheltered accommodation, to avoid confusion;   <b>DBC 2<sup>nd</sup> pt.:</b> it would be useful if confirmation was given that the listing provided is not exhaustive, perhaps as a footnote;   <b>DBC 3<sup>rd</sup> pt.:</b> the “X”s on title rows should be deleted.</p>	<p>All agreed to the three points raised by DBC.                   This is already stated on the front page to the financial statements template.                   All agreed as presently incorrect (typing error).</p>	<p><b>Conclusion:</b></p> <ol style="list-style-type: none"> <li>1. Add the word ‘units’ after ‘sheltered accommodation’ in the Note to the Financial Statements, ‘Assets held’;</li> <li>2. the “X”s on the title rows in the above Note against ‘Community Assets’ and Non-Operational assets’ be deleted.</li> </ol>
<p><b>Page 20 Stocks:</b>  <b>DBC 1<sup>st</sup> pt.:</b> that it be made clear that the presentation shown of Stores, with a separate line for Fuel, is a suggestion, rather than prescriptive. (The Council currently provides a different breakdown that it considers appropriate.)   <b>DBC 2<sup>nd</sup> pt.:</b> that the requirement to provide a note of the value of stock recognised as an expense in the Comprehensive Income and Expenditure Statement be deleted. Where categories of stock are only counted at</p>	<p>This is already stated on the front page to the financial statements template.                   After some discussion, and the difficulties <b>DBC</b> raised in calculating the figure, all agreed for the narrative to the Note to remain, and that LAs need to use best</p>	<p><b>Conclusion:</b> After taking all comments into consideration, it was decided to continue as proposed.</p>

<p>year-end this information would not readily be available.</p>	<p>professional judgement to obtain the figures for 'The value of stock recognised as an expense in the comprehensive income and expenditure statement'.</p>	
<p><b>Page 20 Debtors and prepayments:</b>  <b>DBC:</b> debtors and prepayments; that "VAT refund" is added as a category under debtor amounts falling due within one year.</p>	<p>All agreed not to make a change to the template, as each LA needs to use its best judgement for disclosure required here.</p>	<p><b>Conclusion:</b> Continue as proposed.</p>
<p><b>Page 21 Creditors</b>  <b>SMP, PEEL and P&amp;WDHC:</b> reference to accruals be added. Should "public authorities" be amended to "local authorities and similar entities"?   <b>DBC:</b> that "Interest payable" is added to the creditor categories.</p>	<p>All agreed not to make a changes to the template for all points raised about the present pg. 21 of the template, as each LA needs to use its best judgement for disclosure required here.</p>	<p><b>Conclusion:</b> Continue as proposed.</p>
<p><b>Page 21 Long term borrowing:</b>  <b>DBC:</b> that "Disclose loan details, security etc." is replaced with "Provide a brief note to explain the source of the loans and any security applicable."</p>	<p><b>GT</b> led discussion as to the need for there to be disclosure of loan details including, period, security, interest rates.                   All agreed not to make a changes to the template for all points raised about the present pg 21 of the template, as each LA needs to use its best judgement for disclosure required here.</p>	<p><b>Conclusion</b> Continue as proposed.</p>
<p><b>Page 23 General Rate Account:</b>  <b>SMP and PEEL:</b> we are pleased to see the note at the foot of the page which will add clarity to the financial statements.</p>	<p>Noted.</p>	

<p><b>DBC:</b> the word “unoccupied” to be replaced by “uninhabitable” to reflect current legislation. This appears twice on the page.</p>	<p>All agreed.</p>	<p><b>Conclusion:</b> Replace the word ‘unoccupied’ with the word ‘uninhabitable’ within the Note to the financial statements on General Rate Account (two occurrences).</p>
<p><b>Page 24 Refuse Rate Account:</b> <b>DBC:</b> it would be helpful if clarification was included that this only applies to authorities that separate their rates in this manner.  <b>PEEL:</b> The Commissioners are pleased to see the note at the foot of the page which will add clarity to the financial statements.</p>	<p>Noted.</p>	<p><b>Conclusion:</b> Continue as proposed.</p>
<p><b>Page 25 Housing Revenue Income and Expenditure:</b> <b>SMP and P&amp;WDHC:</b> This note needs further detailed consideration. The Housing Revenue Income and Expenditure account as shown does not include a number of items including interest, capital repayments, assets funded by revenue, to name a few. Similarly it includes depreciation which for deficiency purposes is added back. If consideration is given to the items currently within the Statement of Movement on the Housing Revenue Account then the situation could be clarified. Treasury could consider reinstating the Statement of Movement on the Housing Revenue Account as a primary statement too as it is of importance to stakeholders. The note also refers to housing deficiency receipts whereas the accounts are drawn up on an accruals basis so this should refer to "receivable" rather than "receipts".  <b>DBC:</b> that “Housing Deficiency Receipts” be altered to say “Housing Deficiency Receivable”.</p>	<p><b>GT</b> explained that the line ‘Net cost of Housing Services’ under the Housing Revenue Income and Expenditure note, is meant to agree back to the figure within the Comprehensive Income and Expenditure Statement called ‘Housing services’. This ‘Housing services’ is cross-referenced on the face of the Comprehensive Income and Expenditure Statement to the Note to the accounts.  All agreed.</p>	<p><b>Conclusion:</b> That ‘Housing Deficiency Receipts’ be altered to ‘Housing Deficiency Receivable’ in the Note to the accounts on Housing Revenue Income and Expenditure.</p>

<p><b>PEEL:</b> The Commissioners believe this note needs further detailed consideration. The Housing Revenue Income and Expenditure account as shown does not include a number of items including interest, capital repayments, assets funded by revenue which are present in the current statement of accounts. Similarly it includes depreciation which for deficiency purposes is added back. If consideration is given to the items currently within the Statement of Movement on the Housing Revenue Account Balance this would assist to clarify this situation. The Commissioners have previously within this consultation response recommended the retention of the Statement of Movement on the Housing Revenue Account as a statement of primary importance to Board member and the public as described above. The note also refers to housing deficiency receipts whereas the accounts are drawn up on an accruals basis so this should refer to "receivable" rather than "receipts".</p>	<p><b>GT</b> confirmed that a further note can be added by the LA to assist in reconciliation if required between the Housing Revenue Income and Expenditure in the Notes to the financial statements, and the Comprehensive Income and Expenditure Statement. This was not however considered to be mandatory.</p>	
<p><b>Page 25 Gross rent income:</b> <b>DBC:</b> that "Gross rent" is altered to "Net rent" in both the title and the note.</p>	<p>All agreed that the phrase should actually be 'Dwelling rent income'.</p>	<p><b>Conclusion:</b> That the phrase 'Gross rent income' be replaced by the phrase 'Dwelling rent income' in the Notes to the accounts (presently page 25 in the template).</p>
<p><b>Page 25 Housing deficiency grant:</b> <b>SMP, PEEL and P&amp;WDHC:</b> should refer to grants on a receivable basis.  <b>DBC 1<sup>st</sup> pt.:</b> that "deficiency received" is amended to "deficiency receivable";</p>	<p>All agreed.  All agreed to amend the phrase 'The amount of deficiency received is shown...' by 'The amount of deficiency is</p>	<p><b>Conclusions:</b></p> <ol style="list-style-type: none"> <li>1. Amend the phrase 'The amount of deficiency received is shown...' by 'The amount of deficiency is calculated...';</li> <li>2. the table should show "Opening balance due, Charges to Deficiency Grant",</li> </ol>

<p><b>DBC 2<sup>nd</sup> pt.:</b> that the table shows “Opening balance due, Charges to Deficiency Grant”, “Payments received from Department of Infrastructure”, Closing balance due”.</p>	<p>calculated...’. All agreed.</p>	<p>“Payments received from Department of Infrastructure”, Closing balance due”. Both in the note to the accounts ‘Housing deficiency grant’.</p>
<p><b>Page 26 Remuneration Band:</b> <b>DBC:</b> that consideration be given to the bands to the following to reflect inflation:</p> <p>“£60,000 - £79,999”</p> <p>“£80,000 – “£99,999”</p> <p>“£100,000 and over”.</p>	<p><b>GT</b> suggested that this be consistent between local and central government.</p> <p>All agreed in the meeting that the bands proposed could be further considered. Subsequently, AAD discussed the bands as proposed with the Chief Accountant in Central Government and it was decided to keep the bands as proposed.</p>	<p><b>Conclusion:</b> After taking all comments into consideration, it was decided to proceed as proposed.</p>
<p><b>Page 26 Related party transactions:</b> <b>DBC:</b> it is understood that the disclosures in relation to the final four sub-bullet points (from “T&amp;C’s including...”) seek to highlight situations where companies may be giving loans to related parties that are not repaid with the intention of evading tax. It would help if it was clarified that these four disclosures are only required for loans. It would seem excessive to disclose the terms and conditions of normal arm’s length purchases from a party that happened to be related.</p>	<p>Discussion took place, and it was agreed to insert the word ‘Non-standard’ in front of ‘T&amp;C’s’ in the Related party transactions note on page 26.</p>	<p><b>Conclusion:</b> Insert the word ‘Non-standard’ in front of ‘T&amp;C’s’ in the Related party transactions note on page 26 of the template.</p>
<p><b>Page 29 Post employment benefits:</b> <b>DBC 1<sup>st</sup> pt.:</b> that “by” is inserted between “administered” and “Douglas”;</p>	<p>All agreed.</p>	<p><b>Conclusion:</b> Insert the word ‘by’ between ‘administered’ and ‘Douglas’ in the first paragraph of the note ‘Post employment benefits’.</p>



<p>Question 4 – Financial Statements Template for Burial Ground Authorities</p> <p>Are there any amendments that you think Treasury should consider in relation to the proposed Financial Statements template at Appendix 3?</p> <p><b>ALL: No</b></p> <p><b>Additional optional comments made by those saying ‘No’:</b></p> <p><b>SMP:</b> We are not involved in the preparation of burial authority accounts but they seem well thought out and consistent with the principles in appendix 2.</p> <p><b>DBC:</b> This section has not been reviewed because the Council would not be subject to these requirements.</p> <p><b>PEEL:</b> The Commissioners are not a burial authority.</p>	<p>As no comments requiring consideration of any amendments were received, no recommendations to conclude upon were made.</p>	<p><b>Conclusion:</b> Continue as proposed.</p>
<p>Question 5 – New Accounts &amp; Audit Regulations Implementation Date</p> <p>Would implementing the new requirements for 31<sup>st</sup> March 2018 financial statements create any significant difficulties for you?</p> <p><b>ALL, except P&amp;WDHC: No</b></p>	<p>Discussion was held between all parties present at the post consultation review, and difficulties commented upon under question 5 considered. <b>AAD</b> put forward its anticipated timescale of implementation by 26 March 2018.</p>	<p><b>Conclusion:</b> It is noted that the majority of respondents did not have major concerns other than requiring advance notice of the final proposals. The final proposed Regulations and word templates for the financial statements will be circulated by the end of February to assist in preparations, however it should be noted that they will be subject to Tynwald approval.</p>

<p><b>P&amp;WDHC:</b> Yes. Although P&amp;WDHC welcome the proposed changes to the financial statements, they are however of the opinion that the new financial requirements should be introduced for the financial year ending the 31st March 2019. To allow authorities time to implement the changes. The Committee normally prepare their accounts towards the end of April and the Auditors undertake their fieldwork in May/June. If the new requirements were to be brought in for the 31st March 2018 the Committee would require as much notice as possible in order to meet these deadlines.</p> <p><b>Additional optional comments made by those saying 'No':</b></p> <p><b>SMP:</b> It is 10 years since the IOM SORP was produced, hence there is the opportunity to consider the format infrequently. We would ask that full consideration be given to the comments provided in this response and from other interested stakeholders and local authorities. The timeframe seems tight and we would ask that if required, further time be allocated to fully consider/discuss the comments received. If this can be done with effect from 31 March 2018 this would not present us with any practical difficulties. We would however recommend the timeframe be delayed if further time is required to consider all comments fully.</p> <p><b>DBC:</b> Provided the SORP was adopted and published by the 15<sup>th</sup> of March 2017 the Council should be able to comply with this deadline.</p> <p><b>PEEL:</b> The Commissioners believe this implementation</p>		
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<p>date will cause them difficulties. Peel Town Commissioners are usually on of the first sets of accounts to be audited. The consultation period for the changes closes today (19 January) and a consultation findings report will require compiling to provide feedback to the consultees prior to seeking Tynwald approval for new regulations. The timescale would appear to be very tight to implement these requirements by 31 March 2018 and in the meantime the local authorities will remain uncertain on the final format of the statement of accounts they are required to provide and approve for external audit.</p>		
<div data-bbox="190 719 878 976" style="border: 1px solid black; background-color: #e0e0e0; padding: 5px;"> <p><b>Question 6 – Internal Audit Requirements</b></p> <p>What gross income/expenditure threshold do you think would be the most appropriate at which a Local Government body must maintain a system of internal audit?</p> </div> <p><b>All respondents to the Consultation commented here:</b>  <b>SMP:</b>                  We understand why the Treasury are considering amending the requirements for internal audit. We would recommend that the Treasury consider this matter carefully, it would not seem appropriate to raise the limit as high as £1m as it is for external audit. There may be situations whereby the internal audit requirement could be considered a useful review of systems where no external audit is performed. An analysis of the income/expenditure levels of such entities should be</p>	<p>The wide range of responses were noted, and also that these levels have not changed since the 2007 Regulations.</p>	<p><b>Conclusion:</b> Whilst the policy remains unchanged, the amount has been uplifted to £250,000.</p>

<p>performed to determine the most relevant limit. It may be that there are a small number of entities either just under or just above the limit which provide similar services to the local community. This may determine that the limits could be raised to say £400,000 or £500,000.</p> <p><b>DBC:</b> £500,000.</p> <p><b>RUSHEN/ARBORY:</b> Increase by inflation since the original figure was set.</p> <p><b>PEEL:</b> The Commissioners believe an annual internal audit is required in the frequently changing legislative and operational landscape in which local authorities provide their public funded services. The cost of an annual internal audit is not a large item of expenditure for local authorities who have an income/expenditure of £300,000 or more. This represents a small increase in the current £200,000 threshold. In addition, staff from one local authority could audit the processes employed by another local authority to reduce costs.</p> <p><b>P&amp;WDHC:</b> The Committee are of the opinion that the financial threshold should be raised to £300,000. As Authorities who are below this income/expenditure threshold may struggle to meet the average internal audit fees of approximately £3,000 per annum.</p> <p><b>C. LEWIN:</b> £5k</p> <p><b>ANON 1:</b> All Local Government bodies should have an internal audit performed, even if this is conducted by a larger authority. It is absurd that rate payers funds are treated differently because of an arbitrary line on a map.</p>		
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<p><b>ANON 2:</b> We are not currently involved in any internal audits however the current level of £200,000 does sound low. Perhaps £500,000.</p> <p><b>ANON 3:</b> Why is there a Yes/No response for this question? I think the limit only affects the larger authorities anyway, and I do not have enough knowledge to comment about how it affects them.</p> <p><b>ANON 4:</b> Surely any level should warrant internal audit - it's public money?</p>		
<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <p>Question 7 – Other amendments to the regulations</p> <p>Are there any further amendments that you would consider it appropriate for Treasury to consider whilst progressing revised Accounts and Audit Regulations?</p> </div> <p><b>SMP, C. LEWIN, and ANON 1, 3, 4:</b> No</p> <p><b>Of those respondents that said ‘Yes’, the following optional comments were received:</b></p> <p><b>DBC 1st pt.:</b> Could the indexing please be more comprehensive and contain paragraph numbering next to each section, as well as page numbers? Also, could there be a consistent approach to paragraph numbering, as some are not numbered in the current SORP (see page 10, for example)? Would recommend the numbering style whereby the full section and sub-section numbering is shown at every point, e.g. 4.2.7 for the 7th sub-point of</p>	<p>It was considered that a set indexing system ought to be consistent with guidance for central government, and that DBC were asking for indexing in the context of the accounting guidance rather than the template financial statements themselves. Formatting of the proposed financial statements had been kept to a minimum as</p>	<p><b>Conclusion:</b> After taking all further amendment comments into consideration, it was decided to continue as proposed.</p> <p>Any specific issues that may arise from the Regulations can be dealt with by way of directions from Treasury in terms of the Accounts and Audit Regulations Act.</p>

<p>the 2nd point in the 4th section.</p> <p><b>DBC 2<sup>nd</sup> pt.:</b> On pages 33 and 34 of the current SORP, there is reference to a “statutory” requirement to remove amounts from the Statement of Movement on the General Fund Balance. As there is no such statutory requirement in the Isle of Man, these references should not be made in the new SORP.</p> <p><b>DBC 3rd pt.:</b> The proposed new SORP was discussed at the Local Authority Responsible Financial Officers Group meeting on 14<sup>th</sup> December 2017. One further issue was raised in that forum that the Committee agreed it would be appropriate to add to the Council’s feedback as a third item under answer 7.</p> <p>It is understood that the Statement of Movement on General Fund Balance (SMGFB) will no longer be required. This document provides a link between the Deficit on the Income and Expenditure Account (I&amp;E A/c) and the movement on the General Revenue Reserve. It is</p>	<p>it was assumed that preparers will use their own word processing or spreadsheet packages to produce the financial statements.</p> <p><b>GT:</b> DBC 2<sup>nd</sup> pt. refers to the removal of the SMGFB from the template. We are surprised by this as the “General Fund” column of the “Statement of Movement on Reserves” will show all the data they suggest is required, every movement on this account does represent a transfer to/from other reserves so this is, from our perspective, a sensible place for it. GT has an example of the note suggested, the “Expenditure &amp; Funding Analysis” from a UK LA, being a rework of the I&amp;E account on a line by line basis, which seemed to GT to be unwieldy. GT did not recommend change, although accepted that <b>SMP</b> and <b>DBC</b> may be looking at this matter from a different perspective.</p> <p>Considered in detail in Q2(ii) 3.2.2 above.</p>	
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<p>understood that it is intended that this will be covered in the Statement of Movement on Reserves. Doing that would make the Statement of Movement on Reserves unwieldy as the adjustments on the SMGFB are not applicable to the other reserves held. The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Code of Practice on Local Authority Accounting in the United Kingdom in 2016. This introduced an Expenditure and Funding Analysis to provide this link avoiding the need to include all this detail in the Statement of Movement on Reserves. It is recommended that either the SMGFB remain as a requirement and that it be inserted in the template after the I&amp;E A/c or an Expenditure and Funding Analysis be required.</p> <p><b>RUSHEN/ARBORY:</b> Just make sure changes to the system make the revised accounts simple enough that people other than highly trained auditors can reasonably understand the information presented.</p> <p><b>ANON 2:</b> It is now a few years since the levels at which local authorities could be subject to an Assurance review or Examination instead of a statutory audit were set. Now would seem a good time to look into whether these limits should be raised and also whether accountants, other than the statutory auditor, could be engaged to provide Assurance reviews (currently only able to provide examinations). We suggest an increase to &lt;£125,000 for Examination and £125,000 to £1,250,000 for Assurance.</p> <p><b>P&amp;WDHC:</b> The statutory Role of the Responsible Finance Officer should be made clearer, consideration should be given to introducing a RFO protocol in line with ones adopted by Local Authorities in the UK.</p>	<p>This is the intention of Treasury, however the mandatory disclosure requirements of FRS102 must also be taken into account.</p> <p>This will be kept under review and can be considered in the future as it is not reliant upon the currently proposed amendments to the Accounts &amp; Audit Regulations. The statutory mechanism that would be employed to implement any changes considered appropriate would be Directions made by the Treasury under Section A(1) of the Act.</p> <p>This issue has been noted, however it is considered that consultation would be required prior to proposing amendments to this statutory role. If considered warranted</p>	
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<p><b>PEEL:</b> The Commissioners believe the current regulations associated with the responsible finance office being employed by the body could be amended. This would involve changing regulation 4(2) to permit the appointment of a suitably qualified person from an external organisation to undertake the responsible finance office role. This is particularly important for smaller local authorities who through having limited staff resource have no segregation of duties and no internal oversight of their procedures which removes the majority of the benefits of having a responsible finance office. This arrangement would be similar to those employed by smaller public limited companies who must release a statement of accounts to their Board and other stakeholders. The remainder of regulation 4, 5 and 11 should remain as prescribed in the current regulations.</p>	<p>and appropriate, Directions may be able to be issued in accordance with section 13 of the Act to supplement the requirements of the regulations.</p> <p>The Act [section 12(5)] does not provide Treasury with the vires to make regulations in this regard.</p>	
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