ACCOUNTS AND AUDIT REGULATIONS 2018

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Statutory Document No. 2018/0053

Audit Act 2006

ACCOUNTS AND AUDIT REGULATIONS 2018

Approved by Tynwald:
Coming into Operation: *26 March 2018*

Having consulted the Department of Infrastructure and such bodies specified in section 19(3) of the Audit Act 2006 as appear to the Treasury to be appropriate[1], the Treasury makes the following Regulations under section 12 of the Audit Act 2006.

1 Title

These Regulations are the Accounts and Audit Regulations 2018.

2 Commencement

If approved by Tynwald, these Regulations come into operation on 26 March 2018.[2]

3 Interpretation and application

(1) In these Regulations —

"**accounting year**" means, unless otherwise directed by the Treasury in accordance with section 2 of the Act —

(a) in the case of a body whose accounts are required to be made up yearly to a date other than 31 March, a year ending on that date;

(b) in any other case, a year ending on 31 March;

"**the Act**" means the Audit Act 2006;

"**the auditor**", in relation to a specified body, means the person appointed under section 3 of the Act to audit that body's accounts;

"**burial authority**" means the churchwardens of a parish exercising their functions under the Burials Act 1986;

"**the Department**" means the Department of Infrastructure;

[1] Section 19(3) and (4) require the Treasury to consult with the Department of Infrastructure and such others of the bodies specified in section 19(3) as appear to the Treasury to be appropriate.
[2] Section 19(1)(b) of the Audit Act 2006 states that Tynwald approval is required for regulations made under section 12 of that Act.

"**proper practices**", in relation to any matter, means practices consistent with any directions given by the Treasury under section 13 of the Act, and such of the following as are applicable to that matter -

(a) any Financial Reporting Standards issued or adopted from time to time by the Financial Reporting Council in the United Kingdom;

(b) any Statement of Standard Accounting Practice issued or adopted by the Accounting Standards Board, the former Accounting Standards Board or the former Accounting Standards Committee and not superseded by a standard or statement referred to in paragraph (a);

"**responsible financial officer**", in relation to a body, is to be construed in accordance with regulation 4; and

"**specified body**" means a body whose accounts are required to be audited in accordance with the Act.

(2) References in these Regulations to "**section 12**" and "**section 13**" are references to section 12 and section 13 of the Act.

(3) These Regulations apply with any necessary modifications to the accounts referred to in section 15(2) of the Act (inspection of officers' accounts).

Financial management

4 Responsible financial officer

(1) For the bodies listed in regulation 7(1), the Chief Financial Officer of the Treasury is the nominated officer to exercise the functions of the responsible financial officer.

(2) A specified body to which these Regulations apply, other than one listed in regulation 7(1) must appoint an officer of the body as its responsible financial officer.

(3) If a specified body to which paragraph (2) applies does not have an officer whom it can appoint as its responsible financial officer, it may appoint a member to that office.

(4) The responsible financial officer must determine on behalf of the specified body the accounting records and accounting control systems to be maintained by the body.

(5) Paragraph (4) is subject to the requirements of regulation 5, and to any instructions (not being inconsistent with those requirements) given by the body.

(6) The responsible financial officer must ensure —

(a) that the accounting control systems are observed; and

(b) that the accounting records are maintained in accordance with proper practices and kept up to date;

(c) that the accounts of the body are prepared in accordance with these Regulations and any other statutory requirements applicable to them; and

(d) that the accounts and any relevant accounting records presented for inspection are sufficient for inspection purposes.

5 Accounting records and systems

(1) This regulation applies to the accounting records and accounting control systems of every specified body.

(2) The records must be sufficient —

(a) to show the body's transactions; and

(b) to secure that the accounts of the body as required by regulation 7, 8, 9 or 10, as the case may be, can be so prepared as to comply with these Regulations.

(3) The records must in particular contain —

(a) a record of all income and expenditure of the body, identifying the matters to which the income and expenditure relate;

(b) entries from day to day of all sums of money received and paid by the body, identifying matters to which the receipts and payments relate; and

(c) a record of the assets and liabilities of the body.

(4) The accounting control systems must include —

(a) measures to ensure that the financial transactions of the body are recorded as soon and as accurately as reasonably practicable;

(b) measures to enable the prevention and detection of inaccuracies and fraud, and the reconstitution of any lost records;

(c) a specification of the duties of officers dealing with financial transactions and the division of responsibilities of those officers;

(d) procedures to ensure that uncollectable amounts, including bad debts, are not written off except with the approval of the body or the responsible financial officer, or such member of his or her staff as is nominated by the responsible financial officer for this purpose, and that the approval is shown in the accounting records; and

(e) measures to ensure that risk is appropriately managed.

6 Internal audit

(1) This regulation applies to every specified body except —

(a) a burial authority; or

(b) a local authority or joint board whose gross income or gross expenditure (whichever is the higher) in each of the preceding 2 years was less than £250,000.

(2) A body to which this regulation applies must maintain in accordance with proper practices an adequate and effective system of internal audit of its accounting records and of its system of internal control.

(3) Any officer or member of a body to which this regulation applies must, if the body so requires —

(a) make available such documents relating to its accounting and other records as appear to that body to be necessary for the purpose of the audit; and

(b) supply the body with such information and explanation as that body considers necessary for that purpose.

Accounts

7 Consolidated accounts of central Government

(1) This regulation applies to the accounts of the following specified bodies —

(a) every Department;

(b) every Statutory Board except, for —

(i) the Isle of Man Post Office; and

(ii) the Manx Utilities Authority;

(c) every company, more than half of the equity share capital of which is beneficially owned by one or more Departments or by a Statutory Board referred to in sub-paragraph (b) or is otherwise held by or in trust for the Government, and which is not liable to comply with section 109(3) (filing of accounts) of the Companies Act 1931;

(d) every company which is a subsidiary of a body referred to in sub-paragraph (c);

(e) every office or department of the Government or the Legislature;

(f) the Road Transport Licensing Committee; and

(g) the Manx Museum and National Trust.

(2) The Treasury must prepare in accordance with proper practices a single consolidated statement of accounts for each year for all the bodies to which this regulation applies.

(3) The statement of accounts must be presented in accordance with proper practices, and in particular must include the following statements —

(a) a statement on internal control systems and system of internal audit maintained by the Treasury;

(b) a statement of General Revenue Account;

(c) a statement of movement on the General Revenue Account; and

(d) any notes required to explain the accounts.

(4) The Treasury may elect that transactions and balances between bodies to which this regulation applies shall not be eliminated when consolidating the transactions and balances in the statement of account prepared under paragraph (2).

(5) If the Treasury makes an election under paragraph (4) with respect to a statement of account, the statement of account must include a note to that effect.

(6) The statement of accounts must be accompanied by a note of the number of members, officers and employees of the body in the year to which the accounts relate whose remuneration fell in each bracket of a scale in multiples of £25,000 starting with £50,000.

(7) In paragraph (6) "remuneration" means all amounts paid to or receivable by a member, officer or employee in his or her capacity as such, and includes —

(a) sums due by way of expenses allowance (so far as those sums are chargeable to income tax); and

(b) the estimated money value of any other benefits received by the member, officer or employee otherwise than in cash.

(8) Any body to which this regulation applies and any officer or member of such a body must, if the Treasury so requires —

(a) make available such documents relating to the body’s accounting and other records as appear to the Treasury to be necessary for the purpose of preparing a statement of account under paragraph (2); and

(b) supply the Treasury with such information and explanation as the Treasury considers necessary for that purpose.

(9) Any requirement of these Regulations to prepare individual accounts for any period does not apply to a body to which this regulation applies.

(10) Unless otherwise directed by the Treasury, entries relating to the following transactions between a body specified in paragraph (1) and a related party shall not be required to identify the party in question any transaction in the ordinary course of business relating to the office held or employment undertaken by that party, including –

(i) salary, remuneration and expenses of office; and

(ii) payments under the Payment of Members’ Expenses Act 1989.

(11) For the purposes of this regulation any of the following is a related party -

(a) a member of the House of Keys;

(b) a member of the Legislative Council;

(c) an employee of the Public Services Commission, or an employee of a body to which this regulation applies, who is –

(i) the head of an office or department of the Government or the Legislature; or

(ii) the chief officer of any other specified body to which this regulation applies,

or who reports directly to such a head or chief officer.

8 Group accounts

(1) This regulation applies to —

(a) the bodies to which regulation 7 applies;

(b) every Statutory Board;

(c) every company, more than half of the equity share capital of which is beneficially owned by a Statutory Board referred to in sub-paragraph (b), and which is not liable to comply with section 109(3) (filing of accounts) of the Companies Act 1931; and

(d) every company which is a subsidiary of a body referred to in sub-paragraph (c).

(2) Without limiting regulation 7, the Treasury must prepare a single consolidated statement of accounts for each year for all the bodies to which this regulation applies as if —

(a) the bodies referred to in paragraph (1)(a) were a parent undertaking, and

(b) the bodies referred to in paragraph (1)(b), (c) and (d) were subsidiary undertakings.

(3) The Treasury may elect that transactions and balances between bodies to which this regulation applies shall not be eliminated when consolidating the transactions and balances in the accounts prepared under paragraph (2).

(4) If the Treasury makes an election under paragraph (3) with respect to any accounts, the accounts must include a note to that effect.

(5) Any body to which this regulation applies and any officer or member of such a body must, if the Treasury so requires —

(a) make available such documents relating to the body's accounting and other records as appear to the Treasury to be necessary for the purpose of preparing accounts under paragraph (2); and

(b) supply the Treasury with such information and explanation as the Treasury considers necessary for that purpose.

9 Accounts of the Manx Utilities Authority and the Isle of Man Post Office

(1) This regulation specifies the form of accounts of the following Statutory Boards —

(i) the Manx Utilities Authority;

(ii) the Isle of Man Post Office.

(2) A body to which this regulation applies must prepare in accordance with proper practices a statement of accounts for each accounting year in accordance with this regulation.

(3) The statement of accounts must be presented in accordance with proper practices, and in particular must include the following statements —

(a) a statement on internal control in a format as specified in a direction by the Treasury;

(b) any notes required to explain the accounts.

(4) A statement under paragraph (3) must show any corresponding amounts for the previous year where applicable.

(5) The statement of accounts must be accompanied by a note of the number of members, officers and employees of the body in the year to which the accounts relate whose remuneration fell in each bracket of a scale in multiples of £25,000 starting with £50,000.

(6) In paragraph (5) "remuneration" means all amounts paid to or receivable by a member, officer or employee in his or her capacity as such, and includes —

(a) sums due by way of expenses allowance (so far as those sums are chargeable to income tax); and

(b) the estimated money value of any other benefits received by the member, officer or employee otherwise than in cash.

(7) If the statement of accounts contains any matter other than the items mentioned in paragraph (3), that matter must be placed in a section of the statement separate from those items (and if there is more than one such matter, they must be grouped together in that section).

(8) Unless otherwise directed by the Treasury, entries relating to the following transactions between a body specified in paragraph (1) and a related party shall not be required to identify the party in question any transaction in the ordinary course of business relating to the office held or employment undertaken by that party, including –

(i) salary, remuneration and expenses of office; and

(ii) payments under the Payment of Members' Expenses Act 1989.

(9) For the purposes of this regulation any of the following is a related party

(a) a member of the House of Keys;

(b) a member of the Legislative Council;

(c) an employee of the Public Services Commission, or an employee of a body to which this regulation applies, who is –

(i) the head of an office or department of the Government or the Legislature; or

(ii) the chief officer of any other specified body to which this regulation applies,

or who reports directly to such a head or chief officer.

10 Accounting statements: Local Government and other bodies

(1) This regulation specifies the form of accounts of a local authority, joint board or burial authority, and any other specified body other than one to which regulation 7 or 9 applies.

(2) A local authority or joint board to which this regulation applies must prepare in accordance with proper practices a statement of accounts for each accounting year having regard to Schedule 4 (RECOMMENDED PRACTICE FOR LOCAL GOVERNMENT BODIES) and in the form set out in Schedule 5 (financial statements template for local government bodies) to these regulations.

(3) A burial authority to which this regulation applies must prepare in accordance with proper practices a statement of accounts for each accounting year having regard to Schedule 4 (RECOMMENDED PRACTICE FOR LOCAL GOVERNMENT BODIES) and in the form set out in Schedule 6 (FINANCIAL STATEMENTS TEMPLATE FOR BURIAL AUTHORITIES) to these regulations.

(4) Any other specified body to which this regulation applies, other than a local authority, joint board or burial authority, must prepare in accordance with proper practices a statement of accounts for each accounting year.

11 Preparation and signing of accounts

(1) A specified body must secure that its accounts for any year are prepared in accordance with these regulations, as soon as practicable after the end of that year, and in any case not later than the following 31 July, unless the Treasury otherwise directs.

(2) The accounts must not be submitted to the inspector unless they have been formally approved by the responsible financial officer.

(3) Before the approval referred to in paragraph (2) is given, the responsible financial officer must —

(a) sign and date the accounts; and

(b) certify in writing that they give a true and fair view of the income and expenditure of the body for the year in question and the financial position of the body at the end of that year.

Audit

12 Conduct of audit

(1) In carrying out an audit under the Act the auditor must comply with the International Standards on Auditing (UK and Ireland) issued from time to time by the Auditing Practices Board in the United Kingdom.

(2) Subject to any directions under section 7(1) of the Act, the auditor must plan the audit so as to identify transactions which in his or her judgement are material, for the purpose of considering whether any matter referred to in section 4(2) of the Act is or will be contrary to law.

13 Assurance reviews

An assurance review must be undertaken in accordance with Schedule 1 (ASSURANCE REVIEW).

14 Examinations

An examination must be in accordance with Schedule 2 (EXAMINATION) and that a report on an examination should be in accordance with Schedule 3 (EXAMINATION REPORT).

15 Contents of auditor's report

(1) An auditor's report under section 6 of the Act must state —

(a) that the auditor has audited the accounts of the relevant body for the specified year; and

(b) whether the auditor has by examination of the said accounts and otherwise satisfied himself or herself that they —

(i) give a true and fair view of the financial affairs of the body for that year;

(ii) comply with those provisions of these Regulations, and with any directions under section 13, which are applicable to them; and

(iii) comply with the requirements of any other statutory provision applicable to them;

and if so, subject to what qualifications (if any).

16 Delivery of inspector's report

(1) The date by which the inspector must comply with section 6(4)(b) of the Act (deadline for delivery of report) is 31 October next following the end of the year to which the accounts relate.

17 Special reports

(1) In determining the public interest in relation to any question under section 8 of the Act the inspector must take into account the following considerations —

(a) the public's right to expect that —

(i) the accounts of public bodies are accurate and produced on time;

(ii) the financial affairs of public bodies are properly conducted;

(iii) any risks to which public bodies are subject are properly managed;

(iv) public officials and members of public bodies maintain high standards of probity and competence; and

(v) public bodies act within the law; and

(b) whether in his or her judgement the matter is one is of significance to a substantial part of the population of the Island.

(2) If an auditor prepares an immediate report under section 8(2)(a) of the Act, the relevant body must, not more than 14 days after the date on which it is received by the body, cause a notice to be published in one or more newspapers published and circulating in the Island —

(a) stating that the report has been prepared;

(b) summarising its conclusions; and

(c) naming a place in the Island where a copy of it may be inspected by any person free of charge at all reasonable hours during a period specified in the notice, being a period of not less than 28 days from the date of the publication of the notice.

18 Warning notices

(1) This regulation applies if an auditor gives a warning notice to a specified body under section 9 of the Act.

(2) In order to bring the warning notice and notice in reply to the attention of the public, the body must cause a notice to be published in one or more newspapers published and circulating in the Island —

(a) stating that the warning notice and a notice in reply have been given; and

(b) naming a place in the Island where copies of them may be inspected by any person free of charge at all reasonable hours during a period specified in the notice, being a period of not less than 28 days from the date of the publication of the notice.

(3) The steps mentioned in section 9(5) of the Act must be taken within 28 days of the receipt of the warning notice by the body.

19 Publication of auditor's report

(1) In order to bring an inspector's report under section 6 or an auditor's report under section 8 of the Act to the attention of the public, a specified body must, before the later of the 31 October following the year-end to which the accounts relate and 21 days after the date on which the report is received by the body, cause a notice to be published in one or more newspapers published and circulating in the Island or otherwise made available on the body's official website —

(a) stating that the report has been received; and

(b) naming a place in the Island where a copy of the report, together with copies of the accounts to which it relates, may be inspected by any person free of charge at all reasonable hours during a period specified in the notice, being a period of not less than 28 days from the date of the publication of the notice.

(2) If the Treasury or the Department publishes on behalf of 2 or more specified bodies a notice containing the particulars specified in paragraph (1), those bodies must be taken to have complied with that paragraph.

20 Notice of extraordinary audit

(1) If an auditor is directed to conduct an extraordinary audit under section 11 of the Act, the appropriate authority must cause a notice to be published in one or more newspapers published and circulating in the Island —

(a) stating that an extraordinary audit is to be held and specifying the accounts to which it relates;

(b) giving the name and business address of the auditor; and

(c) stating that any representations with regard to the accounts may be made to the auditor before the expiration of a period specified in the notice, being a period of not less than 28 days from the date of the publication of the notice.

21 Offences

(1) A contravention of any of the following provisions is an offence for the purpose of section 12(7) of the Act —

(a) regulation 7(5) (consolidated accounts of central Government);

(b) regulation 8(4) (group accounts);

(c) regulation 9 (accounts of the Manx Utilities Authority and the Isle of Man Post Office);

(d) regulation 10 (accounting statements: Local Government and other bodies);

(e) regulation 11 (preparation and signing of accounts); and

(f) regulation 19 (publication of auditor's report).

22 Revocation

(1) The Accounts and Audit Regulations 2013[3], and the Accounts and Audit (Amendment) Regulations 2016[4], are revoked.

MADE 14TH FEBRUARY 2018

A L CANNAN
Minister for the Treasury

[3] SD 0026/13.
[4] SD 2016/0065.

SCHEDULE 1

ASSURANCE REVIEW

(Regulation 13)

1 Appointment of reviewer

The assurance review must be undertaken by an assurance reviewer (a "**reviewer**") appointed in accordance with section 3A of the Act.

2 General duties of reviewer

In reviewing any accounts in accordance with these Regulations a reviewer must, by examination of the accounts and otherwise, be satisfied that there is nothing that would indicate that the accounts have not been prepared so as to –

(a) give a true and fair view of the financial affairs of the relevant body for the period, or at the date, to which they relate, as the case may be;

(b) comply with any regulations under section 12, and any directions under section 13, which are applicable to them; and

(c) comply with the requirements of any other statutory provision applicable to them.

3 Conduct of review

In carrying out a review in accordance with these Regulations the reviewer must comply with International Standards on Review Engagements ("**ISREs**") issued from time to time by the International Auditing and Assurance Standards Board ("**IAASB**").

4 Assurance review report

(1) On completion of the assurance review the reviewer must complete and sign a report (the "**assurance review report**") that complies with the requirements of ISREs.

The assurance review report must state that the reviewer has reviewed the accounts of the relevant body for the specified year, and where the reviewer has (by review of the accounts or otherwise) noted anything that would cause the reviewer to believe that the accounts have not been prepared —

(a) so as to give a true and fair view of the financial affairs of the relevant body for the period, or at the date, to which they relate, as the case may be;

(b) in compliance with any regulations under section 12, and any directions under section 13, which are applicable to them; or

(c) in accordance with the requirements of any other statutory provision applicable to them,

the assurance review report must contain a statement to that effect, with particulars of the default in question.

(2) The signed assurance review report must be delivered to the relevant body by 31st October next following the end of the period of account to which the accounts relate, unless the Treasury otherwise directs.

SCHEDULE 2

EXAMINATION

(Regulation 14)

1 Appointment of examiner

The independent examination of an account must be undertaken by an independent person (an "**examiner**") appointed in accordance with section 3B of the Act.

2 General duties of examiner

In examining any accounts in accordance with these Regulations an examiner must, by examination of the accounts and otherwise, be satisfied that there is nothing that would indicate that the accounts have not been prepared so as to —

(a) give a true and fair view of the financial affairs of the relevant body for the period, or at the date, to which they relate, as the case may be;

(b) comply with any regulations under section 12, and any directions under section 13, which are applicable to them; and

(c) comply with the requirements of any other statutory provision applicable to them.

3 Conduct of examination

(1) In carrying out an examination the examiner must have regard to any directions issued by the Treasury. The examiner must obtain an understanding of the relevant body's statutory and contractual obligations, legal constitution, organisation, accounting systems, activities and nature of its assets, liabilities, incoming resources and application of resources in order to plan the specific examination procedures appropriate to the circumstances of the body.

(2) The examiner must review the accounting records maintained in accordance with any regulations made under section 12 and any directions given under section 13 which are applicable to them, in order to provide a reasonable basis for the identification of any material failure to maintain such records.

(3) The examiner must compare the accounts of the relevant body with its accounting records in sufficient detail to provide a reasonable basis on which to decide whether the accounts are in accordance with such accounting records.

(4) The examiner must carry out analytical procedures to identify unusual items or disclosures in the accounts.

(5) If these procedures give rise to a concern on the part of the examiner that there are unusual items in the accounts, the examiner must seek an explanation from the relevant body.

(6) If, after following such procedures, the examiner has reason to believe that in any respect the accounts may be materially misstated then the examiner must conduct additional procedures, including verification of the asset, liability, incoming resource or application.

(7) The examiner must carry out such procedures as the examiner considers necessary to provide a reasonable basis on which to decide whether or not the accounts comply with the form and content requirements of any regulations made under section 12 and any directions given under section 13 applicable to them.

(8) The examiner must review the accounting policies adopted and consider their consistency with any regulations made under section 12 and any directions given under section 13 which are applicable to them.

(9) The examiner must review and assess all conclusions drawn from the evidence obtained from the examination and consider the implications for the examiner's report referred to in paragraph 4.

(10) If the examiner has cause to make a statement on any matter arising from the examination then the examiner must ensure so far as practicable that the examiner's report gives a clear explanation of the matter and of its financial effects on the accounts presented.

4 Examiner's report

(1) On completion of the examination, the examiner must provide a signed report that complies with the requirements of Schedule 3 ("the **examiner's report**").

(2) The examiner must record in the examiner's report the examination procedures carried out and any matters which are important to support the conclusions reached or the statements provided.

(3) The examiner's report must be delivered to the relevant body by 31st October next following the end of the period of account to which the accounts relate, unless the Treasury otherwise directs.

SCHEDULE 3

EXAMINATION REPORT

(Regulation 14)

(1) The examiner's report must state that it has been prepared for the purposes of these Regulations, be signed by the examiner and contain the following information —

(a) the examiner's name and address;

(b) the name of the body whose accounts were examined;

(c) the date of signature;

(d) the financial year or accounting period in respect of which the accounts to which it relates have been prepared;

(e) any relevant professional qualifications of the examiner;

(f) whether or not any matter has come to the examiner's attention in connection with the examination which gives the examiner reasonable cause to believe that in any material respect —

(i) accounting records have not been kept in respect of the relevant body in accordance with any regulations made under section 12 and any directions given under section 13 which are applicable to them;

(ii) the accounts do not accord with those records;

(iii) the accounts do not give a true and fair view of the financial affairs of the relevant body for the period, or at the date, to which they relate, as the case may be;

(iv) the accounts have not been prepared in accordance with any regulations made under section 12, and any directions given under section 13, which are applicable to them; or

(iv) the accounts have not been prepared in accordance with the requirements of any other statutory provision applicable to them;

(g) whether or not any matter has come to the examiner's attention in connection with the examination to which, in the examiner's opinion, attention should be drawn in the report in order to enable a proper understanding of the accounts to be reached;

(2) If, during the course of the examination, it becomes apparent to the examiner that –

(a) there has been material expenditure or action which appears not to be in accordance with the trusts of the relevant body; or

(b) he has not been provided with any information or explanation to which he is entitled under these Regulations,

the examiner must make a statement regarding the matter in the examiner's report.

SCHEDULE 4

RECOMMENDED PRACTICE FOR LOCAL GOVERNMENT BODIES

(Regulation 10)

This schedule sets out additional disclosures required for Local Authority Financial Statements together with guidance for specific areas where FRS 102 does not directly apply, and where additional specific accounting guidance is considered best practice for this sector.

1 Additional disclosures

In addition to the requirements of FRS 102 (as defined paragraph 1 (basis of preparation) to Schedule 5 (financial statements template for local government bodies)) the following disclosures should be included in Local Authority Financial Statements (where relevant):

(a) **Members, Offices and Advisors**
(See Schedule 5 for suggested content);

(b) **Explanatory foreword**
(See Schedule 5 for suggested content);

(c) **Fixed assets**
Information on tangible fixed assets held, appropriately classified to provide a straightforward but informative picture of the tangible fixed assets of the body. This should include a description of community assets not already accounted for within the balance sheet;

(d) **Rate fund(s)**
To show the transactions of a rating body and illustrate the way in which these have been distributed to the General Fund and other relevant Funds;

(e) **Rateable value and rate set by the authority**
The total rateable value at the year-end and the rate multiplier for the year;

(f) **Housing revenue income and expenditure**
Show in more detail, set out by source of funds, the income and expenditure on housing services included in the Comprehensive Income and Expenditure Statement (for which statement see Schedule 5);and

(g) **Analysis of voids and rent arrears**
Total voids and rent arrears, to include presentation as a proportion of gross rent receivable.

2 Presentation of information in the Comprehensive Income and Expenditure Statement

There are two areas where the recommended presentation in the Comprehensive Income and Expenditure Statement is inconsistent with the requirements of FRS 102.

(a) **Presentation of turnover**

FRS 102 requires the presentation of "turnover" on the face of an income statement. In the context of Local Authority financial reporting a more appropriate method of reporting income is to present revenue separately by service line.

(b) **Disclosure of material items**

FRS 102 requires separate disclosure of individually material items of income and expenditure. In the context of public sector financial reporting a more appropriate method of reporting is to present income and expenditure separately by service line with no requirement to disclose individually material items, unless necessary to properly understand the financial position of the body.

3 Unusable reserves

There are three specific unusable reserves typically reported in Local Authority financial statements:

(a) **Revaluation reserve**

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment, and Investment Properties. The balance is reduced when assets with accumulated gains are:

(i) revalued downwards or impaired and the gains are lost

(ii) used in the provision of services and the gains are consumed through depreciation, or

(iii) disposed of and the gains are realised.

(b) **Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets.

(c) **Pension reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding those benefits. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

4 Non-current assets

(a) **Definitions:**

Class of property, plant and equipment is a grouping of assets of a similar nature and use in an authority's operations. The following classes of property, plant and equipment are used:
Operational assets:

- Social housing (and associated land).
- Other land and buildings.
- Vehicles, plant, furniture and equipment.
- Infrastructure assets (inalienable assets, expenditure on which is only recoverable by continued use of the asset created, ie there is no prospect of sale or alternative use; examples include highways, structural maintenance of highways, footpaths, bridges, streetlights, permanent ways, coastal defences, water supply and drainage systems).
- Community assets (ie assets that an authority intends to hold in perpetuity, that have no determinable useful life and which may, in addition, have restrictions on their disposal).

Non-operational assets:

- Surplus assets, i.e. assets that are not being used to deliver services, but which do not meet the criteria to be classified as investment properties.
- Assets under construction.

Current value measurements reflect the economic environment prevailing for the service or function the asset is supporting at the reporting date. The current value measurement bases include:

- Existing Use Value defined in accordance with UKVS 1.3 Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards (RICS, January 2014) for assets providing service potential to the authority where an active market exists
- Existing Use Value – Social Housing (EUV–SH) as defined in the RICS Valuation – Professional Standards for operational social housing.
- Depreciated Replacement Cost (DRC) for assets where there is no market and/or the asset is specialised.
- Fair Value for investment properties and surplus assets.

Existing Use Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.
Existing Use Value–Social Housing (EUV–SH) is the estimated amount for which a property should exchange, on the date of valuation, between a willing

buyer and a willing seller, in an arm's-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion, subject to the following further assumptions that:

- the property will continue to be let by a body and used for social housing
- at the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably fetter the vendor's ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body's requirements
- properties temporarily vacant pending re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession
- any subsequent sale would be subject to all of the above assumptions.

Depreciated Replacement Cost (DRC) is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Historical cost is deemed to be the carrying amount of an asset as at the date of acquisition, and adjusted for subsequent depreciation or impairment (if applicable).

(b) **Non-current assets - measurement after initial recognition**

Public sector specific considerations regarding measurement after initial recognition are set out below:

(i) Infrastructure and assets under construction (excluding investment property) shall be measured at depreciated historical cost. An authority may measure community assets at either valuation or historical cost.

(ii) All other classes of asset shall be measured at current value. For operational assets where there is an active market, this shall be existing use value in accordance with the RICS definitions. If there is no market-based evidence of current value because of the specialist nature of the asset and/or the asset is rarely sold, authorities may need to estimate current value using a DRC approach. The current value of social housing shall be measured using EUV–SH. EUV– SH and DRC are methods of valuation that are based on current value with additional special assumptions for each of the respective methods. Surplus assets and investment properties shall be measured at fair value.

(iii) Authorities may elect to adopt a depreciated historical cost basis as a proxy for current value for non-property assets that have short useful lives or low values (or both).

(iv) Classes of assets whose current value can be measured reliably shall be carried at a revalued amount, being its current value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment. When an asset is revalued, any accumulated depreciation and impairment at the date of valuation shall be eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

(v) Where the carrying amount of property, plant and equipment is increased as a result of a revaluation, the increase shall be recognised in the Revaluation Reserve, unless the increase is reversing a previous impairment loss charged to Surplus or Deficit on the Provision of Services on the same asset or reversing a previous revaluation decrease charged to Surplus or Deficit on the Provision of Services on the same asset.

(vi) A revaluation gain shall be used to reverse a previous revaluation decrease recognised in Surplus or Deficit on the Provision of Services on the same asset. In the same way as the treatment of a reversal of a previous impairment loss, the reversal of a revaluation decrease previously recognised in Surplus or Deficit on the Provision of Services shall not exceed the increase that would reinstate the carrying amount that would have been determined (net of amortisation or depreciation) had no revaluation decrease been recognised for the asset in prior years. Any excess above the carrying amount that would have been determined (net of amortisation or depreciation) had no revaluation decrease been recognised for the asset in prior years shall be treated as a revaluation gain and credited to the Revaluation Reserve.

(vii) Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation (as opposed to an impairment which is covered in section 4(d)), the decrease shall be recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset (ie up to its depreciated historical cost) and thereafter in Surplus or Deficit on the Provision of Services.

(viii) Where assets are revalued (ie the carrying amount is based on current value), revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period.

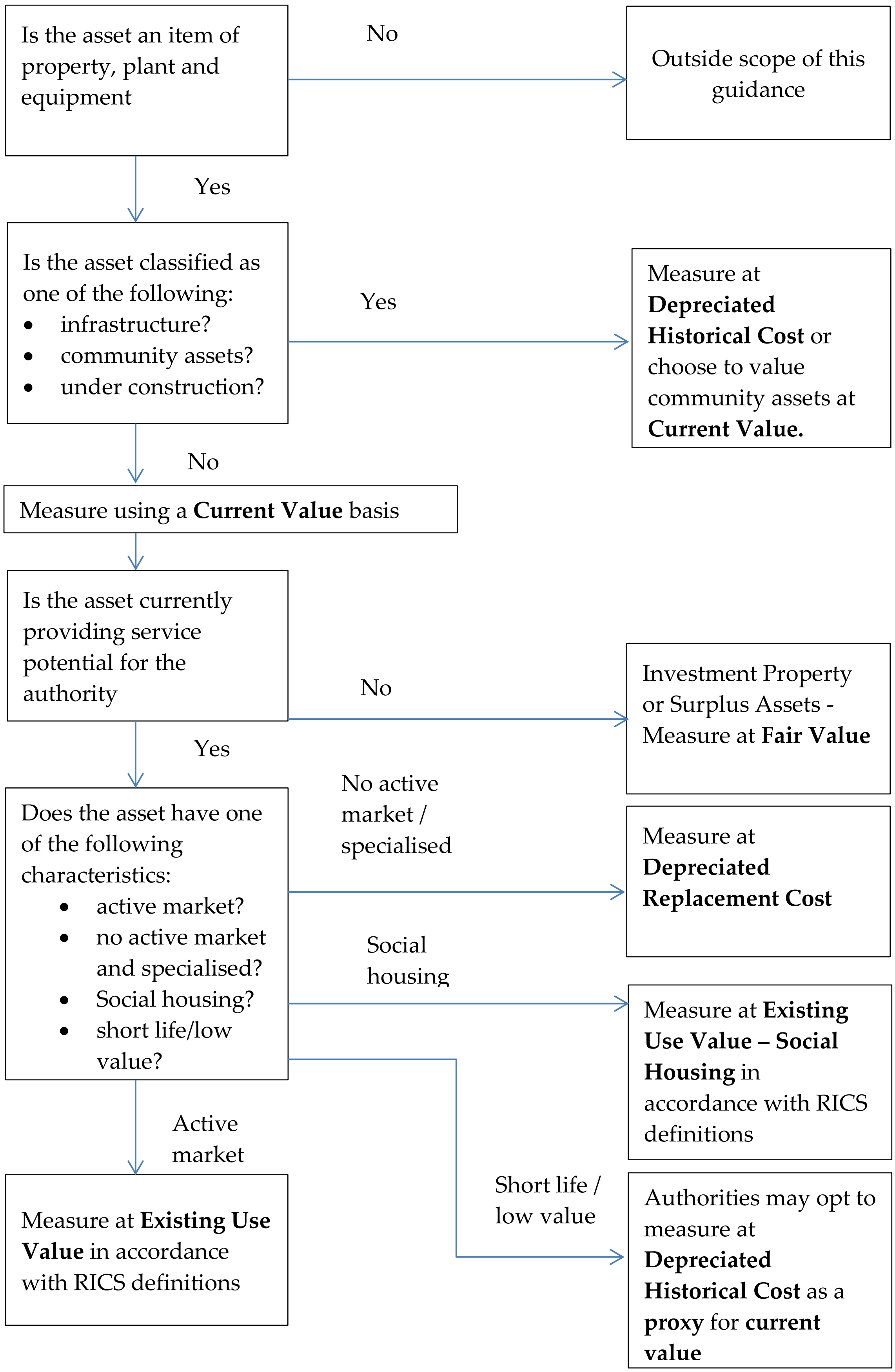
(ix) The items within a class of property, plant and equipment are revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates. However, a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date

(x) Valuations shall be carried out at intervals of no more than five years.

(xi) The current value of land and buildings is usually determined by appraisal of appropriate evidence that is normally undertaken by professionally qualified valuers.

(xii) Revaluation gains or losses charged to Surplus or Deficit on the Provision of Services are not considered proper charges to the General Fund. Such amounts shall be transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Measurement Decision for an Item of Property, Plant and Equipment



(c) **Depreciation of non-current assets**

Public sector specific considerations concerning depreciation of non-current assets:

(i) Land and buildings are separate assets and shall be accounted for separately, even when they are acquired together. Depreciation applies to all property, plant and equipment, whether held at historical cost or revalued amount, with two exceptions:

(1) *land where it can be demonstrated that the asset has an unlimited useful life (excluding land subject to depletion, ie quarries and landfill sites), and*

(2) *community assets that have an indefinite life.*

(ii) Depreciation charged to Surplus or Deficit on the Provision of Services is not considered a proper charge to the General Fund. Such amounts shall be transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

(iii) On a revalued asset, a transfer between the Revaluation Reserve and Capital Adjustment Account shall be carried out which represents the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's historical cost.

(d) **Impairment of non-current assets**

(i) When to assess for impairment

At the end of each reporting period an assessment shall take place as to whether there is any indication that an asset may be impaired. If any indication exists, the recoverable amount shall be estimated. If, and only if, the recoverable amount of an asset is less than its carrying amount, the entity shall reduce the carrying amount of the asset to its recoverable amount. That reduction is an impairment loss.

(ii) Examples of impairments

In the context of the public sector, examples of events and changes in circumstances that indicate an impairment may have occurred include (this list is not intended to exhaustive):

- *a significant decline (ie more than expected as a result of the passage of time or normal use) in an asset's carrying amount during the period, that is specific to the asset*
- *evidence of obsolescence or physical damage of an asset*
- *a commitment by the authority to undertake a significant reorganisation, and*
- *a significant adverse change in the statutory or other regulatory environment in which the authority operates.*

If there is an indication that an asset may be impaired, this could indicate that the useful life, the depreciation method or the residual value need to be reviewed, even if no impairment loss is recognised.

Downward revaluations resulting from changes in market value do not necessarily result in impairment (see section 4(b) in relation to revaluation losses).

(iii) Recognition

An impairment loss on a revalued asset shall be recognised in the Revaluation Reserve to the extent that the impairment does not exceed the amount in the Revaluation Reserve for the same asset (ie up to the historical cost of the asset) and thereafter in Surplus or Deficit on the Provision of Services.

An impairment loss on a non-revalued asset (ie an asset with a carrying value based on historical cost) shall be recognised in Surplus or Deficit on the Provision of Services.

(iv) Reversing an impairment

At the end of each reporting period an assessment shall take place as to whether there is any indication that an impairment loss recognised in earlier periods for an asset may no longer exist or have decreased. If any such indication exists, authorities shall estimate the recoverable amount of that asset.

The reversal of an impairment loss of an asset (previously recognised in Surplus or Deficit on the Provision of Services) is only permitted to be recognised if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Indications of the potential decrease of an impairment loss mainly mirror (but are not limited to) the indications of a potential impairment loss set out above.

If there is an indication that the impairment loss recognised for an asset may no longer exist or may have decreased, this may indicate that the useful life, the depreciation method or the residual value need to be reviewed, even if no impairment loss is reversed for the asset.

(v) Interaction with Capital Adjustment Account

Impairment loss and reversal of impairment loss charged to Surplus or Deficit on the Provision of Services are not considered proper charges to the General Fund. Such amounts shall be transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

SCHEDULE 5

FINANCIAL STATEMENTS TEMPLATE FOR LOCAL GOVERNMENT BODIES

(Regulation 10)

Isle of Man Local Authority

Financial Statements

For the year ended 31 March 20XX

[Accounting policies, primary statement line items, and notes are only required for material areas, and should be tailored to the circumstances of each authority]

Contents *Page*

Members, Officers and Advisors

[Report should include:

- *an introduction to the authority, office address, the parish / village / town / district / body*

- *the structure of the authority, board member names, roles and responsibilities, committees members belonged to, corporate governance;*

- *the names of internal and external auditor and accountants.*

Explanatory Foreword

[Include a narrative report with the aim of providing context to the accounts. Report could include:

- *an outline of the authority's objectives*
- *a summary of the authority's overall financial performance and an overview of the significant factors that affected it during the year(to include a summary of the rate borne results, and the principal reason for the difference with the Comprehensive Income and Expenditure Statement)*
- *an overview of the authority's finances for the year*
- *a summary of significant achievements during the year*
- *an analysis of issues that are likely to shape future performance]*

Statement of Responsibilities for the Statement of Accounts

The Authority's responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs through the appointment of a Responsible Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Responsible Financial Officer's responsibilities

The Responsible Financial Officer is responsible for the preparation of the Authority's Statement of Accounts.

In preparing this Statement of Accounts, the Responsible Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;

The Responsible Financial Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Independent [Auditor/ Assurance Reviewer/ Examiner] to the Commissioners of / the Board of XX for the year ended 31 March 20XX

Statement on Internal Control

The Statement on Internal Control must include suitable commentary in relation to the following:

(1) Introduction and Scope of Responsibility

(2) The purpose of the system of internal control

(3) The internal control and corporate governance environment

(a) Establishment of objectives

(b) Monitoring achievement against the objectives

(c) Corporate Governance framework

(d) Facilitation of policy and decision making

(e) Risk Management

(f) Financial Management

(g) Internal Audit

(4) Review of the effectiveness of internal control and corporate governance environment

(5) Significant internal control issues

Comprehensive Income and Expenditure Statement

for the year ended 31 March 20XX

	Notes	Expenditure	Income	20XX Net	20XX Net
		£	£	£	£
Finance and general purposes		**X**	**X**	**X**	X
Property		**X**	**X**	**X**	X
Works and development		**X**	**X**	**X**	X
Parks and leisure		**X**	**X**	**X**	X
Refuse disposal		**X**	**X**	**X**	X
General government grants		**X**	**X**	**X**	X
Net cost of General Fund services		**X**	**X**	**X**	X
Housing services	*11*	**X**	**X**	**X**	X
Deficiency receivable		**X**	**X**	**X**	X
Net cost of Housing services		**X**	**X**	**X**	X
Income from the General Rate Fund	*9*			**X**	X
Interest receivable and other income				**X**	X
Interest payable and similar charges				**X**	X
Surplus/deficit on provision of services				**X**	X
Other Comprehensive Income and Expenditure					
Surplus/deficit on revaluation of fixed assets				**X**	X
Remeasurement of net pension liability	*X*			**X**	X
Total comprehensive income and expenditure				**X**	X

Statement of Movement on Reserves

for the year ended 31 March 20XX

	Notes	**General rate fund**	**Capital adjustment account**	**Revaluation reserve**	**Housing revenue reserve**	**Pensions reserve**	**Capital receipts reserve**	**Earmarked reserves**	**Other reserves**
		£	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Total comprehensive income and expenditure		**X**							
(Some suggested main Transfer adjustments)									
Depreciation and impairment of fixed assets									
Net charges made for retirement benefits									
Gain/loss on disposal of fixed assets									
Loan fund principal repayments									
Fixed assets financed from General Fund									
Transfer to/from Housing Revenue Account									
[Other reserves transfers]									
		X	X	**X**	X	**X**	X	**X**	X
Balance brought forward		**X**	X	**X**	X	**X**	X	**X**	X
Balance carried forward		**X**	X	**X**	X	**X**	X	**X**	X

Balance Sheet

as at 31 March 20XX

	Notes		**20XX**		20XX
		£	**£**	£	£
Fixed assets					
Intangible assets	2		**X**		X
Tangible fixed assets	1		**X**		X
Long-term debtors			**X**		X
			X		X
Current assets					
Stock	3	**X**		X	
Debtors	4,7	**X**		X	
Cash at bank		**X**		X	
		X		X	
Current liabilities					
Short-term borrowing	7,8	**X**		X	
Creditors	5	**X**		X	
Bank overdraft		**X**		X	
		X		X	
			X		X
			X		X
Long-term liabilities					
Long-term borrowing	6,7,8	**X**		X	
Net Pension liabilities	X	**X**		X	
Other liabilities		**X**		X	
			X		X
Total assets less liabilities			**X**		X
Reserves:					
General fund			**X**		X
Capital adjustment account			**X**		X
Revaluation reserve			**X**		X
Housing revenue reserve			**X**		X
Pension reserve			**X**		X
Earmarked reserves			**X**		X
Capital receipts reserve			**X**		X
			X		X

The financial statements were approved by the [Authority] on and were signed on their behalf by:

Chairman *RFO*

Cash Flow Statement

for the year ended 31 March 20XX

	Notes		**20XX**	**20XX**
		£	**£**	**£**
Net (surplus) / deficit on provision of services		**X**		X
Adjustments to net (surplus) / deficit on provision of services for non-cash movements (Note XX)		**X**		X
Adjustments for items included in net (surplus) / deficit on provision of services that are investing and financing activities		**X**		X
Net cash flows from Operating Activities	*14*		**X**	X
Net cash flows from Investing Activities (Note XX)	*15*	**X**		X
Net cash flows from Financing Activities (Note XX)	*16*	**X**		X
Net (increase) or decrease in cash and cash equivalents			**X**	X
Cash & cash equivalents at the beginning of the reporting period			**X**	X
Cash & cash equivalents at the end of the reporting period			**X**	X

Statement of Accounting Policies

1. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland [Section 1A]' ('FRS 102'), and with the Audit Act 2006 and the Accounts and Audit Regulations 2018. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain land and buildings as specified in the accounting policies below.

This is the first year in which the financial statements have been prepared under FRS 102 and Accounts and Audit Regulations 2018. Refer to note XX for an explanation of the transition. *[this note is only required in the first year of FRS102 application]*

The financial statements are presented in Sterling (£) to the nearest £.

2. Going concern
After reviewing the budget of the authority, the board have a reasonable expectation that the authority has adequate resources [including the continuation of support from Central Government,] to continue in operational existence for the foreseeable future.

3. Income

(a) Rates receivable
Rates income for the year credited to the Comprehensive Statement of Income and Expenditure is the accrued income for the year, adjusted for discounts, exempt and uninhabitable properties.

(b) Rentals
Rent revenue is measured at fair value of the consideration received or receivable and represents the amount receivable for the services rendered.

(c) [*add policies for other material income sources*]

4. Accruals of income and expenditure
The accounts of the authority are maintained on an accruals basis: activity is accounted for in the year that it takes place.

5. Value Added Tax

Value Added Tax is included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

6. Intangible fixed assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged so as to allocate the cost of intangibles less their residual values over their

Statement of Accounting Policies (Continued)

estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

Software costs	X years
[Other intangibles]	X years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

7. Tangible fixed assets

Tangible fixed assets have physical substance and are held by the authority for the provision of services or for administrative purposes on a continuing basis.

a) Recognition

Expenditure on the acquisition or creation of tangible fixed assets and subsequent expenditure that adds to, replaces part of, or services tangible fixed assets, is capitalised on an accruals basis where:

- It is probable that the future economic benefits or service potential associated with the asset will flow to the authority, and

- The cost can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense to the relevant service when it is incurred.

b) Measurement (Valuation Bases)

All assets are initially measured at cost. The initial cost includes all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Borrowing costs are not capitalised.

Subsequent to initial recognition, assets are then carried on the Balance Sheet using the following measurement bases:

- Infrastructure and Community assets – depreciated historic cost (or a nominal value where the historic cost is not known)
- Assets under construction – historic cost
- Surplus assets – fair value (determined by the measurement of the highest and best use of the asset)
- Social Housing and all other tangible fixed assets are measured at current value which is determined as the amount that would be paid for the asset in its existing use ("existing use value" – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate.

Statement of Accounting Policies (Continued)

For non-property assets that have short useful lives or low values (or both) depreciated historical cost basis is used as a proxy for current value.

(c) Revaluation

A class of assets included in the Balance Sheet at current value (fair value for Surplus assets) may be revalued on a rolling basis provided revaluation of the class of assets is completed within five years. The valuations are undertaken with sufficient regularity to ensure that

their carrying amount is not materially different from current value (fair value for Surplus assets). All valuations are undertaken by a qualified valuer, using a professional valuer contracted to the authority.

Short-life assets, such as vehicles and computer equipment are not revalued but are measured at depreciated historic cost as a proxy for fair value.

Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains. When assets are subject to revaluation losses they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

d) Impairment

Assets are subject to an annual impairment review at the end of each financial year for evidence of reductions in value. Where indications exist and the reduction is material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

(e) Depreciation

Depreciation is provided for on all Tangible Fixed Assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (e.g. freehold land and community assets) and assets that are not yet available for use (i.e. assets under construction).

Statement of Accounting Policies (Continued)

Depreciation is calculated on a straight-line basis by allocating the cost (or re-valued amount) of the asset over the number of years that the asset is expected to be of useful benefit as follows:

Operational assets:	
Freehold buildings	XX years
Plant and machinery	XX years
Furniture and equipment	XX years
Motor vehicles	XX years
[Other tangibles]	XX years
Infrastructure assets	XX years

The useful life of an asset is estimated on a realistic basis and is regularly reviewed as part of the revaluation process. Where the useful life of a fixed asset is revised, depreciation is charged over the revised life of the asset.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Where an item has major components whose cost is significant in relation to the total cost of the asset, the components are depreciated separately.

(f) Disposals
Income from the disposal of fixed assets is accounted for on an accruals basis. Capital receipts are held in the Usable Capital Receipts Reserve until such time as they are used to finance other capital expenditure, when they are credited to the Capital Adjustment Account.

8. Investment Property
Investment properties are those that are used solely to earn rentals or for capital appreciation purposes. Properties that are used to facilitate the delivery of services are not Investment properties.
Investment properties are measured initially at cost and subsequently at fair value. The assets are not depreciated but are subject to five yearly revaluation reviews according to market conditions at the year-end. All valuations are undertaken by a qualified valuer, using a professional valuer. Gains and losses on revaluation and disposal are posted to the Comprehensive Income and Expenditure Statement These gains and losses are reversed out in the Statement of Movement on Reserves to the Capital Adjustment Account and the Capital Receipts Reserve.

9. Cash and cash equivalents
Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Statement of Accounting Policies (Continued)

Cash and cash equivalents include bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

10. Government Grants and Contributions
Government grants and other third party contributions / donations are accounted for on an accruals basis and recognised when the conditions attached to the payments have been met and there is reasonable assurance that they will be received.

a) Revenue Grants
Amounts due to the authority are credited to the Comprehensive Income and Expenditure Statement when the conditions attached to the grants or contributions are satisfied. Amounts advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or non-specific Grant Income.

b) Capital Grants
Amounts due as capital grants and contributions are credited to the Comprehensive Income and Expenditure Statement when the conditions attached to their receipt are satisfied. Amounts advanced for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement.
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.

(c) Housing Deficiency
Housing deficiency is accounted for on an accruals basis and represents an amount due in respect of the shortfall of housing income over housing expenditure in the year in accordance with the housing deficiency scheme operated by the Department of Infrastructure.

11. Leases
Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement on an accruals basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the authority recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Statement of Accounting Policies (Continued)

12. Investments
The Authority has representation on, and makes financial contributions to, other bodies/ boards/ committees. Where no dominant or significant influence exists these are treated as investments and measured at the cost of any capital contribution to that body.

13. Stocks
Stocks have been valued at the lower of cost and net realisable value.

14. Debtors
Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

15. Creditors
Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

16. Employee benefits

The authority provides a range of benefits to employees, including paid holiday arrangements and a defined benefit pension plan.

(a) Short term benefits
Short term benefits, including holiday pay, are recognised as an expense in the period in which the service is received.

(b) Defined benefit pension plan
The authority participates in the Local Government Superannuation Scheme administered by Douglas Borough Council in accordance with the Isle of Man Local Government Superannuation Scheme Regulations. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration.

The authority and its employees pay contributions into the scheme and these contributions are calculated at a level intended to balance the pensions liabilities with investment assets. The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the authority's defined benefit obligation at the end of the reporting date less the fair value of the plan assets attributable to the authority's members at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the administering authority engages independent actuaries to calculate the obligation of the authority. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

Statement of Accounting Policies (Continued)

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Comprehensive Income and Expenditure Statement. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as ‘Remeasurement of net pension liability’.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- the increase in pension benefit liability arising from employee service during the period; and
- the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as ‘Finance expense’.

17. Provisions
Provisions are made for any liability of uncertain timing where there is a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged to the Comprehensive Income and Expenditure Statement in the year that the obligation arises and are based on the best estimate of the amount that is likely to settle the obligation.

18. Contingent Liabilities
Contingent liabilities are not recognised in the accounting statements. They are disclosed by way of a note to the accounts if there is a possible obligation to make payments in the future. For each class of contingent liability, where appropriate, the authority discloses the nature of the contingency, a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

19. Contingent Assets

Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

20. Reserves
Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management. The Authority maintains the following significant reserves:

General Reserve: set up to act as a buffer against the potential risks of increased expenditure to be charged to future years’ Accounts and to assist in organisational development.

The following accounts have been established in accordance with the capital accounting provisions. They are not fully backed by cash, nor generally available to finance expenditure.

Statement of Accounting Policies (Continued)

Revaluation Reserve: representing principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.

Capital Adjustment Account: amounts set aside from capital receipts or revenue resources to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

Pensions reserve: The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding those benefits.

Significant Judgements and Estimates

(a) Judgements

In applying the accounting policies set out above the authority has had to make assumptions and form judgements about transactions which are complex in nature and where there is uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

[Add detail of any significant area of judgement which is relevant, examples include:]

- The authority operates a rolling 5 year revaluation programme for assets held on the Balance Sheet at revalued amount. This means that not all assets are revalued formally every year. However a desktop review is undertaken of the assets that were not formally revalued during the year, taking into account factors such as changes to building cost indices since the asset's last revaluation and the impact of revaluations in year for similar assets. As a result it is judged that the potential difference in value that would result from formal revaluation is not material in the context of the overall carrying value of the assets, and therefore the risk of material misstatement to the Balance Sheet is low.
- Property, Plant and Equipment assets are judged to be held for their service potential rather than future resale value and therefore the authority does not allocate residual values to assets when calculating depreciation. This could lead to the potential overstatement of depreciation and the understatement of asset carrying values in the Balance Sheet. The calculation of depreciation, however, does not affect the amount to be collected from rate payers.
- The authority has judged that amounts held on deposit or invested for periods of less than three months are sufficiently liquid as to be classed as cash equivalents. Judgement is also required as to whether the primary purpose of holding such investments is for meeting short term cash commitments (in which case the investment is classified as a cash equivalent) or for investment return (in which case the investment remains classified as a short term investment).

(b) Estimates

The authority is required to disclose those estimates and assumptions which it has made in the preparation of its accounts for which there is the potential for a material adjustment within the next financial year.

[Add detail of any significant estimate which is relevant such as:]

- Pension Liability - The estimation of the net pension liability depends on a number of complex and inter-related actuarial assumptions and judgements, i.e. the rate of inflation, rate of increase in salaries, age of retirement, rate of increase in pensions, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide expert advice about the assumptions to be applied. As a result there is inevitably some uncertainty concerning the value of the net pension liability in the financial statements. Changes in the assumptions can give rise to major changes in the liability within the year and across years, i.e. actuarial gains and losses.

Notes to the financial statements

1. Tangible fixed assets

Operational assets	**Dwellings**	**Other land and buildings**	**Vehicles, plant and equipment**	**Infrastructure**	**Community assets**	**Total**
	£	**£**	**£**	**£**	**£**	**£**
Cost or valuation						
At 31 March 20XX	X	X	X	X	X	**X**
Additions in the year	X	X	X	X	X	**X**
Disposals in the year	X	X	X	X	X	**X**
Revaluations	X	X	X	X	X	**X**
Transfers	X	X	X	X	X	**X**
Impairments	X	X	X	X	X	**X**
At 31 March 20XX	**X**	**X**	**X**	**X**	**X**	**X**
Depreciation						
At 31 March 20XX	X	X	X	X	X	**X**
Charge for the year	X	X	X	X	X	**X**
Disposals in the year	X	X	X	X	X	**X**
Reversal of depreciation on revalued assets	X	X	X	X	X	**X**
Transfers	X	X	X	X	X	**X**
At 31 March 20XX	**X**	**X**	**X**	**X**	**X**	**X**
Net book value						
At 31 March 20XX	**X**	**X**	**X**	**X**	**X**	**X**
At 31 March 20XX	X	X	X	X	X	**X**

Notes to the financial statements (Continued)

Non-Operational assets	**Surplus properties**	**Assets under construction**	**Investment Properties**	**Total**
	£	**£**	**£**	**£**
Cost or valuation				
At 31 March 20XX	X	X	X	**X**
Additions in the year	X	X	X	**X**
Disposals in the year	X	X	X	**X**
Revaluations	X	X	X	**X**
Transfers	X	X	X	**X**
Impairments	X	X	X	**X**
At 31 March 20XX	**X**	**X**	**X**	**X**
Depreciation				
At 31 March 20XX	X	X	X	**X**
Charge for the year	X	X	X	**X**
Disposals in the year	X	X	X	**X**
Reversal of depreciation on revalued assets	X	X	X	**X**
Transfers	X	X	X	**X**
At 31 March 20XX	**X**	**X**	**X**	**X**
Net book value				
At 31 March 20XX	**X**	**X**	**X**	**X**
At 31 March 20XX	X	X	X	**X**

Valuation of fixed assets

The Authority plans to revalue its fixed assets every [five] years. Valuations have been carried out by < valuer>. *[Disclose valuers credentials, methods and significant assumptions adopted in the valuation, the date of the valuation]*

Notes to the financial statements (Continued)

Assets held

	Number at 31 March 20XX	**Changes In year**	**Number at 31 March 20XX**
Operational assets			
Dwellings:			
Standard dwellings	X	X	X
Sheltered accommodation units	X	X	X
Other Land and Buildings:	X	X	X
Car parks	X	X	X
Cemeteries	X	X	X
Depots	X	X	X
Public Conveniences	X	X	X
Public Halls	X	X	X
Public Offices	X	X	X
Recreational properties	X	X	X
Sports Centres	X	X	X
Miscellaneous properties	X	X	X
Vehicles, Plant and Equipment:	X	X	X
Vehicles	X	X	X
Plant and equipment	X	X	X
Infrastructure Assets:			
Street lights	X	X	X
Community Assets:			
Historic properties	X	X	X
Parks and open spaces	X	X	X
Non-Operational assets:			
Commercial properties	X	X	X
Retail properties	X	X	X
Other properties	X	X	X
Agricultural land	X	X	X
Garages	X	X	X

Notes to the financial statements (Continued)

2. Intangible fixed assets

	£
Balance at 1 April 20XX	X
Expenditure in year	X
Disposals in year	X
Transfers	X
Amortisation	X
Impairment	X
Balance at 31 March 20XX	X

3. Stocks

	20XX	20XX
	£	£
Stores	X	X
Fuel	X	X
	X	X

The value of stock recognised as an expense in the comprehensive income and expenditure statement was £X (20XX:£X).

4. Debtors and prepayments

	20XX	20XX
	£	£
Amounts falling due in one year (net of bad debt provisions):	X	X
Government departments	X	X
Public authorities	X	X
Other local authorities	X	X
Ratepayers	X	X
Housing rents	X	X
Sundry debtors	X	X
Prepayments	X	X
	X	X

Debtor balances are shown net of provisions for bad or doubtful debts as follows:

	20XX	20XX
	£	£
Ratepayers	**X**	X
Housing rents	**X**	X

Notes to the financial statements (Continued)

Sundry debtors	**X**	X
	X	X

5. Creditors

	20XX	20XX
	£	£
Central government	**X**	X
Public authorities	**X**	X
Ratepayers	**X**	X
Housing rents	**X**	X
Sundry creditors	**X**	X
	X	X

6. Long term borrowing

Loans outstanding may be analysed as follows:

	20XX	20XX
	£	**£**
Falling due within one year:		
Commercial loans	**X**	X
Government loans	**X**	X
Total falling due within one year	**X**	X
Falling due after more than one year:		
Commercial loans	**X**	X
Government loans	**X**	X
Total falling due after more than one year	**X**	X
Total loan term borrowing	**X**	X

[Disclose loan details, security etc.]

Notes to the financial statements (Continued)

7. Operating leases

The following table shows the minimum future rentals receivable for the authority's operating leases where it acts as lessor:

	20XX	20XX
	£	£
Amounts due within one year	X	X
Later than one year and not later than five years	X	X
Later than five years	X	X
	X	X

[Provide a general description of the lessee's significant leasing arrangements including, for example, information about contingent rent, renewal or purchase options and escalation clauses, subleases, and restrictions imposed by the lease arrangement and unique or unusual provisions of lease arrangements or the terms of sale and leaseback transactions.]

The following table shows the minimum future rentals payable for the authority's operating leases where it acts as lessee:

	20XX	20XX
	£	£
Amounts due within one year	**X**	X
Later than one year and not later than five years	**X**	X
Later than five years	**X**	X
	X	X

Lease payments recognised as an expense in the comprehensive income and expenditure statement are £XX (20XX: £XX).

8. Finance leases

Minimum lease payments under finance leases fall due as follows:

	20XX	20XX
	£	£
Amounts due within one year	X	X
Later than one year and not later than five years	X	X
Later than five years	X	X
	X	X
Less future finance charges	X	X
Present value of lease obligations	X	X

Notes to the financial statements (Continued)

Due for settlement within one year	X	X
Due for settlement later than once year and not later than five years	X	X
Due for settlement later than five years	X	X
	X	X

[Provide a general description of the lessee's significant leasing arrangements including, for example, information about contingent rent, renewal or purchase options and escalation clauses, subleases, and restrictions imposed by the lease arrangement and unique or unusual provisions of lease arrangements or the terms of sale and leaseback transactions.]

Notes to the financial statements (Continued)

9. General Rate Account

		20XX		20XX
	£	**£**	£	£
General rates levied for the year		**X**		X
Add:				
Due from Treasury re prior year		**X**		X
Arrears brought forward		**X**		X
		X		X
Less:				
Discounts	**X**		X	
Exempt and uninhabitable properties	**X**		X	
Refunds	**X**		X	
		X		X
Total rates collectable		**X**		X
Rates received in the year:				
Current year rates	**X**		X	
Arrears collected	**X**		X	
Balance from Treasury re prior year	**X**		X	
Total rates received in the year		**X**		X
Balances outstanding carried forward:				
Due from Treasury re current year				
Arrears – current year	**X**		X	
– previous years	**X**		X	
		X		X
		X		X

	20XX	20XX
	£	£
General rates levied for the year	**X**	X

Notes to the financial statements (Continued)

Less: Discounts, exempt/uninhabitable properties & refunds	**X**	X
Per Comprehensive Income and Expenditure Statement	**X**	X

10. Refuse Rate Account

		20XX		20XX
	£	**£**	£	£
Refuse rates levied for the year		**X**		X
Add:				
Due from Treasury re prior year		**X**		X
Arrears brought forward		**X**		X
		X		X
Less:				
Discounts	**X**		X	
Exempt and uninhabitable properties	**X**		X	
Refunds	**X**		X	
		X		X
Total refuse rates collectable		**X**		X
Refuse rates received in the year:				
Current year refuse rates	**X**		X	
Arrears collected	**X**		X	
Balance from Treasury re prior year	**X**		X	
Total refuse rates received in the year		**X**		X
Balances outstanding carried forward:				
Due from Treasury re current year	**X**		X	
Arrears – current year	**X**		X	
– previous years	**X**		X	
		X		X
		X		X

Notes to the financial statements (Continued)

	20XX	20XX
	£	£
Refuse rates levied for the year	X	X
Less: Discounts, exempt/uninhabitable properties & refunds	X	X
Per Comprehensive Income and Expenditure Statement	X	X

11. Housing Revenue Income and Expenditure

		20XX	20XX
	£	**£**	£
Income			
Dwelling rents (including rates)	**X**		X
Charges for services and facilities	**X**		X
Housing Deficiency Receivable	**X**		X
Other income	**X**		X
Total income		**X**	X
Expenditure			
Repairs and maintenance	**X**		X
Supervision and management	**X**		X
Rents, rates, taxes and other charges	**X**		X
Depreciation & impairment charges	**X**		X
		X	X
Net cost of Housing Services		**X**	X

Dwelling rent income

Dwelling rent income is the total rent due for the year after voids, write-offs, refunds etc. Voids represent X% of the rental debit for the year (20XX: X%).

Rent arrears

	20XX	20XX
Rent arrears	**£X**	£X
Rent arrears as a percentage of gross rent income	**X%**	X%

Notes to the financial statements (Continued)

Arrears written off during the year amounted to £X (20XX: £X) and an increase/decrease of £X (20XX: £X) was made in the provision for bad and doubtful rental debts. As at 31 March 20XX the provision stood at £X (20XX: £X).

Housing deficiency grant

Housing deficiency grant is paid from central government to meet the shortfall which might be incurred by the Authority. The amount of deficiency is calculated as follows:

	20XX	20XX
	£	£
Opening balance due	**X**	X
Charges to Deficiency Grant	**X**	X
Payments received from Department of Infrastructure	**X**	X
Closing balance due	**X**	X
	X	X

12. Employee remuneration

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £25,000 was:

	20XX Number of Employees	20XX Number of Employees
Remuneration Band		
£50,000 – £74,999	**X**	X
£75,000 – £99,999	**X**	X

Key management compensation

[Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the authority. Compensation to be disclosed includes all employee benefits. Key management personnel compensation should be disclosed in total.]

Members' allowances

Notes to the financial statements (Continued)

During the year the Authority paid £XXXX to its Members in respect of their attendance at meetings, undertaking duties and responsibilities (20XX: £XX).

13. Related party transactions

[For related party transactions, disclose

- *nature of relationship with counter-party*
- *information about the transaction to sufficient to understand the financial position of the authority*
- *Can disclose by category (unless separate disclosure required to understand the effects of transactions on the accounts of the LA). Categories are (as a minimum):*
    - *Entities with control, joint control, or significant influence over the entity*
    - *Entities over which the entity has control, joint control or significant influence*
    - *Key management personnel of the entity*
    - *Entities that provide key management personnel services to the entity*
    - *Other related parties*
- *To disclose for each of the above:*
    - *Amount of transactions*
    - *Balances outstanding*
    - *Non-standard T&C's including and security, and nature of consideration to be provided in settlement*
    - *Details of any guarantees given or received*
    - *Provisions for uncollectable receivables related to o/s balances*
    - *Expense recognised in the period in respect of bad or doubtful debts from related parties*
- *Transactions purported to be at arms length should be able to be substantiated]*

14. Cash flow statement – Operating activities

The following table provides a breakdown of the main elements within the adjustment for the non-cash movements figure shown in the cash flow statement:

	20XX	20XX
	£	£
Depreciation, impairment & revaluation losses for non-current assets	**X**	X
Decrease / (Increase) in creditors	**X**	X
(Decrease) / Increase in debtors	**X**	X
Decrease / (Increase) in provisions	**X**	X
Difference between FRS102 pension cost and contributions paid	**X**	X

Notes to the financial statements (Continued)

Carrying amount of fixed assets sold & de-recognition of components	**X**	X
Other non-cash items charged to Surplus/Deficit on provision of services	**X**	X
	X	X

Notes to the financial statements (Continued)

15. Cash flow statement – Investing activities

	20XX	20XX
	£	£
Purchase of assets (Fixed assets, investment property, intangible assets)	**X**	X
Other payments for investing activities	**X**	X
Purchase of / (receipts from) short-term and long-term investments	**X**	X
Decrease / (Increase) in provisions	**X**	X
Proceeds from the sale of tangible fixed assets and investment property	**X**	X
Other receipts from investing activities	**X**	X
	X	X

16. Cash flow statement – Financing activities

	20XX	20XX
	£	£
Cash receipts from short-term and long-term borrowing	**X**	X
Other receipts from financing activities	**X**	X
Cash payments for the reduction in liabilities relating to finance leases	**X**	X
Repayments of short-term and long-term borrowing	**X**	X
Loan interest paid	**X**	X
Loan interest received	**X**	X
Other payments for financing activities	**X**	X
	X	X

17. Audit fees

During the year the Authority incurred external audit fees of £XX (20XX: £XX).

18. Total rateable value

The total rateable value at the year end and rate multiplier for the year is to be disclosed.

Notes to the financial statements (Continued)

19. Post employment benefits

The authority operates a defined benefit pension scheme with assets held in a separately administered fund. The scheme provides retirement benefits on the basis of members' final salary. The plan is administered by Douglas Borough Council as the Administering Authority. The authority has committed to a funding plan with the Administering Authority, whereby ordinary contributions are made into the scheme based on a percentage of active employees' salary. Additional contributions are agreed with the Administering Authority to reduce the funding deficit where necessary.

A comprehensive actuarial valuation of the Local Government Superannuation Scheme, using the projected unit credit method, was carried out at 31 March XXXX by independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	31 March 20XX	31 March 20XX
Rate of inflation	**X%**	X%
Rate of increase in salaries	**X%**	X%
Rate of increase in pensions	**X%**	X%
Rate for discounting scheme liabilities	**X%**	X%

The assets in the Isle of Man Local Government Superannuation Scheme are valued at fair value, principally market value for investments, and the asset categories are shown in the Isle of Man Local Government Superannuation Scheme Accounts.

The mortality assumptions used were as follows:

	31 March 20XX Years	31 March 20XX Years
Longevity at the age of 65 for current pensioners		
- Men	**XX**	XX
- Women	**XX**	XX
Longevity at the age of 65 for future pensioners		
- Men	**XX**	XX
- Women	**XX**	XX

Reconciliation of scheme assets and liabilities:

	Assets £	**Liabilities £**	**Total £**
At 1 April 20XX	X	X	X
Benefits paid	X	X	-

Notes to the financial statements (Continued)

Employer contributions	X	-	X
Current service cost	-	X	X
Past service cost	-	X	X
Interest income/(expense)	X	X	X
Remeasurement gains/(losses)			
- Actuarial losses	-	X	X
- Return on plan assets excluding interest income	X	-	X
At 31 March 20XX	**X**	**X**	**X**

Total cost recognised as an expense:

	20XX	20XX
	£	£
Current service cost	**X**	X
Past service costs	**X**	X
Interest cost	**X**	X
	X	X

No amounts were included in the cost of assets (20XX: £nil)

The local authority's share of the fair value of plan assets was:

	20XX	20XX
	£	£
Equity instruments	**X**	X
Bonds	**X**	X
Property	**X**	X
Cash	**X**	X
Total	**X**	X

The local authority's share of the return on plan assets was:

	20XX	20XX
	£	£
Interest income	**X**	X

Notes to the financial statements (Continued)

Return on plan assets less interest income	**X**	X
Total return on plan assets	**X**	X

20. Capital commitments

The estimated commitments for capital expenditure that had started, or legal contracts entered into are:

	31 March 20XX	31 March 20XX
	£	£
Housing	X	X
New public conveniences	X	X
Drainage improvements	X	X
Hall extension	X	X
	X	X

21. Provisions

[Where relevant disclose

- *nature of the obligation and the expected amount and timing of any resultant payments*
- *an indication of the uncertainties about the amount and timing of those outflows*
- *the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement]*

22. Contingent liabilities

[Where relevant disclose

- *for each class of contingent liability at the reporting date, a brief description of the nature of the contingent liability.*
- *an estimate of the financial effect*
- *an indication of the uncertainties relating to the amount and timing of any outflow*
- *the possibility of any reimbursement]*

23. Subsequent events

[Where relevant disclose for non-adjusting event after the end of the reporting period:

- *the nature of the event; and*
- *an estimate of its financial effect or a statement that such an estimate cannot be made.]*

Notes to the financial statements (Continued)

24. FRS 102 Transition *[only required for first year of FRS102 adoption]*

This is the first year that the authority has presented its results under FRS 102. The last financial statements under the SORP were for the year ended 31 March 2017. The date of transition to FRS 102 was 1 April 2016. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 March 2017 and the total equity as at 1 April 2016 and 31 March 2017 between the SORP as previously reported and FRS 102.

[*Insert tables to reconcile any adjustments required*]

[Holiday pay accrual

FRS 102 requires short term employee benefits to be charged to the Comprehensive Income and Expenditure Statement as the employee service is received. This has resulted in the authority recognising a liability for holiday pay of £XXXX on transition to FRS 102. Previously holiday pay accruals were not recognised and were charged as they were paid. In the year to 31 March 2017 an additional charge of £XXXX was recognised and the liability at 31 March 2017 was £XXXX.]

[Defined benefit scheme

Under previous UK GAAP the authority recognised an expected return on defined benefit plan assets in the Comprehensive Income and Expenditure Statement. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in the Comprehensive Income and Expenditure Statement. There has been no change in the defined benefit liability at either 1 April 2016 or 31 March 2017. The effect of the change has been to reduce the credit to Net cost of Services in the year to 31 March 2017 by £XXXX and increase the credit in Other Comprehensive Income by an equivalent amount.]

[Rent free period for operating leases

Under the SORP operating lease incentives, including rent free periods and fit-out contributions, were spread over the shorter of the lease period or the period to when the rental was set to a fair market rent. FRS 102 requires that such incentives to be spread over the lease period. The authority has taken advantage of the exemption for existing leases at the transition date to continue to recognise these lease incentives on the same basis as previous UK GAAP. Accordingly the FRS 102 accounting policy has been applied to new operating leases entered into since 1 April 2016 and the operating lease charge has increased by £XXXX for the year to 31 March 2017, with a corresponding increase in the accrued lease liability at 31 March 2017.]

[Computer software

Computer software with a net book value of £XXXX at 1 April 2016, has been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the authority's net assets nor on the result for the year, except that the previous depreciation charge in now described as amortisation.]

SCHEDULE 6

FINANCIAL STATEMENTS TEMPLATE FOR BURIAL AUTHORITIES

(Regulation 10)

Isle of Man Burial Authority

Financial Statements

For the year ended 31 March 20XX

[Accounting policies, primary statement line items, and notes are only required for material areas, and should be tailored to the circumstances of each authority]

Contents *Page*

Statement of Responsibilities for the Statement of Accounts

The Authority's responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs through the appointment of a Responsible Financial Officer;

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

- approve the Statement of Accounts.

The Responsible Financial Officer's responsibilities

The Responsible Financial Officer is responsible for the preparation of the Authority's Statement of Accounts.

In preparing this Statement of Accounts, the Responsible Financial Officer has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

The Responsible Financial Officer has also:

- kept proper accounting records which were up to date;

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Independent [Assurance Reviewer/ Examiner] to the Churchwardens of XXX Burial Authority

Income and Expenditure Statement

for the year ended 31 March 20XX

	Notes	**Maintenance Account**	**Reserve Funds**	**20XX Total**	20XX Total
		£	**£**	**£**	£
Income					
Burial Rates		**X**	**X**	**X**	X
Grave maintenance		**X**	**X**	**X**	X
Sales of Plots		**X**	**X**	**X**	X
Investment Income		**X**	**X**	**X**	X
Bank Interest		**X**	**X**	**X**	X
Other		**X**	**X**	**X**	X
Total Income		**X**	**X**	**X**	X
Expenditure					
Graveyard maintenance					
Equipment		**X**	**X**	**X**	X
Fuel		**X**	**X**	**X**	X
Wages		**X**	**X**	**X**	X
Insurance		**X**	**X**	**X**	X
Accountancy fees		**X**	**X**	**X**	X
Reviewers fees		**X**	**X**	**X**	X
Depreciation		**X**	**X**	**X**	X
Irrecoverable VAT		**X**	**X**	**X**	X
Other		**X**	**X**	**X**	X
Total Expenditure		**X**	**X**	**X**	X
Surplus / deficit of income over expenditure		**X**	**X**	**X**	X
Balances brought forward		**X**	**X**	**X**	X
Transfers between funds		**X**	**X**	**X**	X
Balances carried forward		**X**	**X**	**X**	X

Balance Sheet

as at 31 March 20XX

	Notes		**20XX**		20XX
		£	**£**	£	£
Fixed assets					
Tangible fixed assets	1		**X**		X
			X		X
Current assets					
Stock		**X**		X	
Debtors and prepayments	2	**X**		X	
Cash at bank		**X**		X	
		X		X	
Current liabilities					
Short-term borrowing		**X**		X	
Creditors	3	**X**		X	
Bank overdraft		**X**		X	
		X		X	
			X		X
			X		X
Long-term liabilities					
Long-term borrowing		**X**		X	
Other liabilities		**X**		X	
			X		X
Total assets less liabilities			**X**		X
Reserves:					
Maintenance Account			**X**		X
Reserve Funds	4		**X**		X
			X		X

The financial statements were approved by the Authority on
and were signed on their behalf by:

Chairman *RFO*

Statement of Accounting Policies

1. Basis of preparation

These financial statements have been prepared in accordance with the Audit Act 2006 and the provisions of the Accounts and Audit Regulations 2017. The financial statements have been prepared on the historical cost basis.

2. Income

(a) Rates receivable
Rates income for the year credited to the Statement of Income and Expenditure is the accrued income for the year, net of irrecoverable amounts.

(b) [add policies for any other material income sources]

3. Accruals of income and expenditure
The accounts of the authority are maintained on an accruals basis: activity is accounted for in the year that it takes place.

4. Value Added Tax
Value Added Tax is included in income and expenditure account, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

5. Tangible fixed assets

Tangible fixed assets have physical substance and are held by the authority for the provision of services or for administrative purposes on a continuing basis. Expenditure on the acquisition or creation of tangible fixed assets is capitalised on an accruals basis.

6. Depreciation

Depreciation is provided for on all Tangible Fixed Assets by the systematic allocation of their depreciable amounts over their useful lives as follows:

Freehold buildings	XX years
Plant and machinery	XX years

7. Reserves

The Authority maintains the following significant reserves:

7.1. General Reserve: This reserve is set up to act as a buffer against the potential risks of increased expenditure to be charged to future years' accounts.

Statement of Accounting Policies (Continued)

7.2. Sales of Plots Reserve: This reserve contains the income generated from the sale of plots and these funds are to be used to meet an element of the cost of any future extension to the burial ground.

7.3. [Endowed Graves Reserve A: *This reserve contains capital from the will of AAA. The interest received on these funds is credited to this reserve and used to finance perpetual care obligations.*

Endowed Graves Reserve B: *This reserve contains capital from the will of BBB. The interest received on these funds is credited to this reserve and used to finance perpetual care obligations.]*

Notes to the financial statements

1. Tangible fixed assets

	Land and buildings	**Plant and equipment**	**Total**
	£	**£**	**£**
Cost or valuation			
At 31 March 20XX	X	X	**X**
Additions in the year	X	X	**X**
Disposals in the year	X	X	**X**
At 31 March 20XX	**X**	**X**	**X**
Depreciation			
At 31 March 20XX	X	X	**X**
Charge for the year	X	X	**X**
Disposals in the year	X	X	**X**
At 31 March 20XX	**X**	**X**	**X**
Net book value			
At 31 March 20XX	**X**	**X**	**X**
At 31 March 20XX	X	X	**X**

2. Debtors and prepayments

	20XX	20XX
	£	£
Amounts falling due in one year (net of bad debt provisions):		
VAT	X	X
Other local authorities	X	X
Ratepayers	X	X
Sundry debtors	X	X
	X	X

Notes to the financial statements (Continued)

3. Creditors

	20XX	20XX
	£	£
Sundry creditors	**X**	X
[Other creditors]	**X**	X
	X	X

4. Analysis of Reserve Funds

	Sale of Plots	**Endowed Graves**	***[Other]***	***[Other]***
	£	**£**	**£**	**£**
Income				
Sales of Plots	**X**	**X**	***X***	***X***
Investment Income	**X**	**X**	***X***	***X***
Bank Interest	**X**	**X**	***X***	***X***
Other	**X**	**X**	***X***	***X***
Total Income	**X**	**X**	***X***	***X***
Expenditure				
Maintenance of endowed graves		**X**		
Other	**X**	**X**	***X***	***X***
Total Expenditure	**X**	**X**	***X***	***X***
Surplus / deficit of income over expenditure	**X**	**X**	***X***	***X***
Balances brought forward	**X**	**X**	***X***	***X***
Transfers between funds	**X**	**X**	***X***	***X***
Balances carried forward	**X**	**X**	***X***	***X***

Notes to the financial statements (Continued)

5. Related party transactions

[For related party transactions, disclose
- *nature of relationship with counter-party*
- *information about the transaction to sufficient to understand the financial position of the authority]*

6. Independent [Assurance Reviewer/ Examiner's] fees

During the year the Authority incurred Independent [Assurance Reviewer/ Examiner's] fees of £XX (20XX: £XX).