



Audit Committee	Wednesday, 30 March 2022	Matter for Information and Decision
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Report Title: **Accounting Policies and Materiality (2021/22)**

Report Author(s): **Rashpal Sohal (Finance Manager)**

Purpose of Report:	To review and approve the draft accounting policies and materiality levels for the 2021/22 Financial Statements.
Report Summary:	It is considered good practice for the committee to have visibility of the Accounting Policies and materiality levels annually before the preparation of the Statement of Accounts.
Recommendation(s):	<p>1. That the Committee consider and approve:</p> <p style="padding-left: 40px;">i. The Draft Accounting Policies for the 2021/22 Financial Statement as detailed in Appendix 1; and</p> <p style="padding-left: 40px;">ii. The materiality levels as set out in Appendix 2; and</p> <p>2. That delegated authority be given to the Section 151 Officer to make any further required amendments to the accounting policies or changes to the materiality levels deemed necessary.</p>
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	<p>Tracy Bingham (Strategic Director /Section 151 Officer) (0116) 257 2690 tracy.bingham@oadby-wigston.gov.uk</p> <p>Comie Campbell (Head of Finance / Deputy Section 151 Officer) (0116) 257 2713 comie.campbell@oadby-wigston.gov.uk</p> <p>Rashpal Sohal (Finance Team Manager) (0116) 257 2705 rashpal.sohal@oadby-wigston.gov.uk</p>
Corporate Objectives:	Providing Excellent Services (CO3)
Vision and Values:	"A Stronger Borough Together" (Vision) Accountability (V1)
Report Implications:-	
Legal:	The Accounts and Audit Regulations 2015 generally require all local authorities each financial year to conduct a review of the effectiveness of the system of internal control and prepare an Annual Governance Statement in accordance with proper practices in relation to accounts. The approval of the policies sought will serve to further and discharge the attendant statutory duties under 2015 Regulations and CIPFA Code of Practice.
Financial:	The Council's 2021/22 Statement of Accounts are prepared in line with the required accounting polies and materiality levels. The

	accounting policies affect the treatment of financial transactions within the Council's Statement of Accounts. Setting an internal materiality level provides a level at which the finance team will identify significant variances in producing the accounts and the level at which further explanation is needed in the accounts by way of a disclosure note.
Corporate Risk Management:	Decreasing Financial Resources / Increasing Financial Pressures (CR1) Reputation Damage (CR4) Regulatory Governance (CR6)
Equalities and Equalities Assessment (EA):	There are no implications arising from this report. EA not applicable
Human Rights:	There are no implications arising from this report.
Health and Safety:	There are no implications arising from this report.
Statutory Officers' Comments:-	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	The report is satisfactory.
Monitoring Officer:	The report is satisfactory.
Consultees:	None.
Background Papers:	<ul style="list-style-type: none"> Chartered Institute of Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
Appendices:	<ol style="list-style-type: none"> Draft Accounting Policies for 2021/22 Financial Statements Materiality Levels

1. Background

- 1.1 The accounting policies and materiality levels need to be reviewed and agreed, prior to the closure of the accounts.
- 1.2 This is the first year that the Audit Committee have been presented with the accounting policies and the suggested materiality level for approval. The responsibility for selecting suitable accounting policies and making reasonable and prudent judgements and estimates sits firmly with the Section 151 Officer, however, it is good practice to have Audit Committee engagement and oversight on these matters.

2. Accounting Policies

- 2.1 It is a requirement of the Local Government Act 2003 and the Accounts and Audit Regulations 2015 (amended in 2021) for the Statement of Accounts to be produced in accordance with proper accounting practices.
- 2.2 The Accounting Policies adopted by the Council determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Statement of Accounts at the year-end. They determine the specific principles, bases, conventions,

rules and practices that will be applied by the Council in preparing and presenting its financial statements.

- 2.3 Accounting policies need not be applied if the effect of applying them would be immaterial.
- 2.5 The proposed accounting policies for 2021/22 are included at **Appendix 1** and are presented to the committee for approval. Adopting the proposed policies will support the timely production of the annual accounts.
- 2.6 CIPFA intended to issue an accounting Bulletin giving further guidance on matters for the production of the Statement of Accounts. At the time of writing this report, the Bulletin has not been issued, once issued it will be taken into account when producing the statements. Section 27 of the accounting policies will be updated upon receipt of the CIPFA year-end Bulletin
- 2.7 During the year-end process there may be changes required to the policies arising from changes in circumstances or updated guidance. These will be agreed with the Section 151 Officer and reported to the Audit Committee alongside the final version of the Statement of Accounts.

3. Materiality Levels

- 3.1 Materiality is a concept within auditing and accounting relating to the importance and/or significance of an amount, transaction, or discrepancy. Materiality is defined in the Code as:

"Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor".
- 3.2 Setting materiality levels enables the finance team to identify significant variances and items that need disclosing in the financial statements.
- 3.3 Levels for the 2021/22 financial statements are set out in **Appendix 2** for approval. The levels of materiality agreed by the Committee will be used in the preparation of the financial statements and information provided for external audit purposes.
- 3.4 External Audit apply their own test of material misstatements. The internal materiality levels presented to Committee for approval have been set in reference to the external auditors own materiality levels.