



Audit Committee	Wednesday, 19 April 2023	Matter for Information and Decision
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Report Title: **Accounting Policies and Materiality 2022/23**

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

Purpose of Report:	To review and approve the draft accounting policies and materiality levels for the 2022/23 Financial Statements.
Report Summary:	<p>It is considered good practise for the committee to have visibility of the Accounting Policies and materiality levels annually before the preparation of the Statement of Accounts.</p> <p>Committee are asked to approve the draft policies and delegate authority to Section 151 Officer to make any necessary amendments.</p>
Recommendation(s):	<p>To consider and approve:</p> <ol style="list-style-type: none"> 1. The Draft Accounting Policies for the 2022/23 Financial Statement as detailed in Appendix 1; and 2. The materiality levels as set out in Appendix 2; and 3. Delegate authority to Section 151 officer to make any necessary amendments
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>Bev Bull (Head of Finance & Deputy Section 151 Officer) (0116) 257 2649 bev.bull@oadby-wigston.gov.uk</p> <p>Rashpal Sohal (Finance 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:	There are no implications arising from this report.
Financial:	There are no implications arising from this report.
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 2022/23.
Appendices:	Appendix 1 – The Draft Accounting Policies for the 2022/23 Financial Statements Appendix 2 – 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.

2 ACCOUNTING POLICIES

- 2.1 It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 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.
- 2.4 The Audit Committee's Terms of Reference require the committee to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council. It is therefore considered good practice for the committee to have greater visibility over these accounting policies before they are applied.
- 2.5 The accounting policies are reviewed each year by officers to ensure all accounting policies previously approved are still relevant and are in accordance with the latest version of the Chartered Institute of Finance and Accountancy (CIPFA) Code of Practice and International Financial Reporting Standards (IFRS) requirements. Any new requirements

are added to the policies and policies, which are no longer relevant or have no material effect to the Statement of Accounts, are removed.

- 2.6 The following Accounting Standards have been amended by the Code of Practice in 2022/23:
- IFRS 1: First Time Adoption;
 - IAS 37: Onerous Contracts;
 - IFRS 16: Leases;
 - IAS 41: Agriculture;
 - Property, plant and equipment: proceeds before intended use (amendments to IAS 16).
- 2.7 The application date of the above amendments is the 1 April 2022, with the exception of IFRS 16. This must be adopted by 2024/25 but has been included in the code of practice 2022/23 to allow for early adoption.
- 2.8 The amendments change the wording of existing Accounting Standards to clarify the interpretation and understanding of the Standards. They do not have any significant impact. The Council is not opting to adopt IFRS 16 early, as it will not have any significant impact. Therefore, no changes have been made to the Council's Accounting Policies.
- 2.9 The proposed accounting policies for 2022/23 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.
- 2.10 CIPFA have issued an accounting Bulletin giving further guidance on matters for the production of the Statement of Accounts for 2022/23. The Bulletin provides advice on emerging issues and is intended to inform best practice. One issue raised is to include information in the accounts on the impact of inflation and higher interest rates, this will be complied with. The other issues raised in the bulletin do not require any changes to our existing accounting practices, this will be reviewed again during the production of the statements.
- 2.11 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.

3.0 MATERIALITY LEVELS

- 3.1 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 2022/23 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.