

Title of Report	ACCOUNTING POLICIES AND MATERIALITY 2020/21	
Presented by	Anna Wright Finance Team Manager and Deputy S151 Officer	
Background Papers	None	Public Report: Yes
Purpose of Report	To review and approve the draft accounting policies and materiality levels for the 2020/21 financial statements.	
Recommendations	<p>TO CONSIDER AND APPROVED:</p> <p>1. THE DRAFT ACCOUNTING POLICIES FOR THE 2020/21 FINANCIAL STATEMENTS AS DETAILED IN APPENDIX A; AND</p> <p>2. THE MATERIALITY LEVELS AS SET OUT IN APPENDIX B.</p>	

1.0 BACKGROUND

- 1.1 The accounting policies and materiality levels need to be reviewed and agreed, prior to the closure of the accounts.

2.0 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. 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.

- 2.4 The Audit and Governance 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 2020/21:
- Amendments to IAS28 Investment in Associates and Joint Ventures: Long-term interests in Associates and Joint Ventures
 - Annual Improvements to IFRS Standards 2015-2017 Cycle
 - Amendments to IAS19 Employee Benefits: Plan Amendment, Curtailment or Settlement.
- 2.7 The application date of the above amendments is the 1 April 2020.
- 2.8 The amendments make makes changes to the wording of existing accounting standards to add clarity to interpretation and understanding of the standards. They are not new accounting standards. They do not have any material effect and have not resulted in any changes to the council's accounting policies.
- 2.9 The proposed accounting policies for 2020/21 are included at Appendix A and are presented to the committee for approval. Adopting the proposed policies will support the timely production of the annual accounts.
- 2.10 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 23 of the accounting policies will be updated once
- 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 paragraph 2.3 above.
- 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 2020/21 financial statements are set out in Appendix B 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. This is detailed in their Audit Strategy Memorandum, which is a separate report on this agenda. The internal materiality levels presented to committee for approval have been set in reference to the external auditors own materiality levels.

Policies and other considerations, as appropriate	
Council Priorities:	Production of timely and accurate Statement of Accounts is a statutory requirement. Achievement of this reflects sound financial management supporting all the council priorities.
Policy Considerations:	CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Economic and Social Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	None
Risks:	None
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