

Materiality - updated

- The following materiality levels are proposed for 2015/16 financial statements preparation:

- Balance sheet*

We are using a materiality of 10% of the 2014/15 balance, subject to the external auditors advised materiality, although some areas are material by nature so this also needs to be taken into account. Where the external auditors materiality is less than 10% of the balance sheet, the materiality applied internally is reduced to 90% of the external audit materiality.

The 2014/15 balance is deemed to be the best consistent point to assess materiality on as although the majority of the balance is reconciled and updated regularly throughout the year, some areas, the pension scheme liability for example is only updated at the end of the financial year.

Balance sheet area	2014/15 Balance £m	Materiality Level at 10% £m	External Audit Materiality £m	90% of External Audit Materiality	Internal Materiality Value £m
Plant, property & equipment	34.0	3.4	0.55	0.495	0.495
Debtors	4.0	0.4	0.55	0.495	0.400
Short term creditors	(8.0)	(0.8)	0.55	0.495	(0.495)
Provisions	(1.5)	(0.15)	0.55	0.495	(0.150)
Pensions Liability	(33.0)	(3.3)	0.55	0.495	(0.495)

- CIES Variances:*

All variances over 5% explained

All variances over £230k explained in detail.

- The CIPFA Code of Accounting Practice for Local Authority only requires local authority financial statements to disclose information which is material.

This includes disclosures that are material to the presentation of a 'true and fair' view of the financial position, financial performance and cash flows of the authority and to the understanding of users of the financial statements.

Section 2.1.2.9 of the Code provides the following definition of the term materiality:

“Materiality – information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting authority. In other words, materiality is an authority-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual authority’s financial statements. Consequently, the Code cannot specify a uniform quantitative threshold for materiality or predetermine what could be material in a particular situation. An authority need not comply with the Code, as to both disclosure and accounting principles, if the information is not material to the ‘true and fair’ view of the financial position, financial performance and cash flows of the authority and to the understanding of users.”

Materiality also depends on the nature or size of the omission or misstatement judges in the surrounding circumstances. The nature or size of an item, or a combination of both, could be the determining factor.