

**REPORT TO THE GOVERNANCE & AUDIT COMMITTEE
MEETING ON: 8 March 2017**

Status: For Decision
Title: Financial Statements – Accounting policy, materiality level and Code changes
Originator: K Cowell, Finance Services Manager
Where from: Section 151 Officer
Where to next: N/A

1 Outcome Sought from Committee

1.1 To review and approve the accounting policy and materiality levels for 2016/17 financial statements.

2 Recommendation

2.1 To consider and agree the materiality limits as set out in Appendix B.

2.2 To consider and note draft accounting policies for 2016/17 financial statements.

2.3 To note and consider the impact of changes in the portfolio reporting arrangements during a year on the presentation of the financial accounts

3 Background

3.1 The accounting policy and materiality levels need to be reviewed and agreed, prior to the beginning of the closure of accounts process

3.2 The finance team review the previous years accounting policies and any changes from the CIPFA Code of Practice on local authority accounting to form the accounting policies for the current year.

3.3 The materiality level enables the finance team to identify significant variances and items that need disclosure in the financial statements (see Appendix B).

3.4 External Audit apply their own test of materiality in respect of material misstatements. This is detailed in their external audit plan elsewhere on the agenda.

3.5 The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires changes to the formats and reporting requirements for the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS).

4 Points for Consideration

4.1 The draft accounting policies for 2016/17 are attached at **Appendix A**. These have been reviewed against the Code for any required changes. The Code highlights that there is no changes to the requirements, ref 3.3.6, Code of Practice.

4.2 Levels of Materiality for 2016/17 financial statements are set out in **Appendix B** along with an extract from the Code of Practice relating to materiality.

4.3 The changes to the format and reporting requirements for the CIES mean that the Authority's income and expenditure will be shown in the way that Harborough District Council budget to provide services. Harborough District Council currently does this by splitting budgets over Portfolios.

4.4 Therefore for the 2016/17 financial statements will show income and expenditure based on Portfolios as presented in the quarterly monitoring. However there is a significant risk in presenting in this manner, as the Portfolios are regularly changed, for example at the annual Council meeting each year. If this continues to occur the CIES for each year will have to include a restatement of the previous year's income and expenditure in order to provide a comparison. Consideration should be given to setting and monitoring budgets on a basis which will be consistent through the year, which will remove the need to restate the comparison year in the financial statements.

5 Equality Impact Assessment

5.1 Not Applicable

6 Conclusions

6.1 It is good practice for those charged with governance to review and agree materiality in relation to financial statements.

6.2 The levels of materiality agreed by this committee will be used in the preparation of the financial statements & information for external audit purposes.

Previous report(s): N/A

Information Issued Under Sensitive Issue Procedure: N

Ward Members Notified: N

Appendices: *list any appendices here including title and filename in brackets (e.g. Performance Data 2010 (perfddata.doc)).*

- A. Draft Accounting Policies for 2016/17 financial statements**
- B. Materiality level for 2016/17 financial statements**