

<b>Subject</b>	<b>Review of Accounting Policies 2022/23</b>	<b>Status</b>	For Publication
<b>Report to</b>	Audit Committee	<b>Date</b>	02 March 2023
<b>Report of</b>	Deputy Treasurer		
<b>Equality Impact Assessment</b>	Not Required	Attached	Na
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## **1 Purpose of the Report**

- 1.1 To provide members of the Audit Committee with an opportunity to review and approve the accounting policies in line with best practice.
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## **2 Recommendations**

- 2.1 Members are recommended to:
- a. **Note the accounting policies to be used in the preparation of the Authority's Statement of Accounts in accordance with requirements set out in the CIPFA Accounting Code of Practice; and**
  - b. **Approve the introduction of a de-minimis threshold of £1,000 for accruals of income and expenditure.**
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## **3 Link to Corporate Objectives**

- 3.1 This report links to the delivery of the following corporate objectives:  
**Effective and Transparent Governance**

To uphold effective governance showing prudence and propriety at all times.

- 3.2 The review of accounting policies prior to the preparation of the annual statement of accounts contributes to effective and transparent governance.

## **4 Implications for the Corporate Risk Register**

- 4.1 This report does not address any specific corporate risks.

## **5 Background and Options**

- 5.1 Accounting policies used in the preparation of our annual statement of accounts must comply with the Code of Practice for Local Authority Accounting in the United Kingdom produced by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 5.2 The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position, financial performance and cash flows of a local authority. The Code sets out the proper accounting practices defined by Section 21(2) of the Local Government Act 2003. These proper practices apply to statements of accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2015.
- 5.3 The Code prescribes the accounting treatment and disclosures for all normal transactions of a local authority and is based on UK-adopted international accounting standards. On the few occasions where the CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) considers it appropriate to adapt or interpret IFRSs, the accounting treatment is based on the approach in the memorandum of understanding between the relevant authorities.
- 5.4 The 2022/23 Code has effect for accounting periods commencing on or after 1 April 2022.
- 5.5 The accounting policies attached at Appendix A follow those prescribed by the 2022/23 Code and are tailored as appropriate to the circumstances of this Authority, to ensure that we include only those policies that are significant to an understanding of how transactions, other events and conditions are reflected in the reported financial performance and financial position of the Authority.
- 5.6 There are no changes arising from the 2022/23 Code that affect the accounting policies.
- 5.7 One change is proposed to introduce a de-minimis threshold of £1,000 in relation to the requirement to accrue for items of income and expenditure recognised in the year where the cash has yet to be received / paid. This change is being proposed in order to enhance the efficiency and effectiveness of the accounts closedown process whilst ensuring that the threshold amount is set at a level that would not have a material impact on the reporting of our financial position.
- 5.8 The introduction of the de-minimis threshold will mean that smaller, non-material items of income and expenditure, including those that recur on an annual basis and therefore a full year's amount is always included in each reporting period, do not have to be accrued separately, as long as not material by nature.
- 5.9 The consideration of materiality in this context takes account of the Code of Practice requirements in this respect – extract as follows:

*Materiality*

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific local 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..... judgements on whether matters are material are necessarily a matter for preparers. An authority can comply with the Code, while not complying with specific disclosure and accounting requirements in the Code, 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.

- 5.10 As set out in the External Audit Plan Report elsewhere on the agenda, the level of materiality for the Authority for audit purposes is in the region of £128k and items of £6k or less are not reportable unless the auditors consider them material by nature.

- 5.11 The draft accounting policies will be reviewed by the external auditor as part of the audit of the 2022/23 Statement of Accounts. Any significant changes made to the accounting policies as a result of this review will be highlighted to the Committee at its July meeting.

## **6 Implications**

- 6.1 The proposals outlined in this report have the following implications:

Financial	None directly; the accounting policies relate to the reporting of our financial performance and financial position.
Human Resources	None
ICT	None
Legal	None
Procurement	None

**Gillian Taberner**

**Assistant Director - Resources**

<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>
None	-