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# **2010/11 YEAR END CLOSING OF ACCOUNTS GUIDANCE**

**CONTENTS**

<b>Section</b>	<b>Topic(s)</b>	<b>Page</b>
<a href="#"><u>1.0</u></a>	General Closing Information	2
<a href="#"><u>2.0</u></a>	Budget Holder / Cost Centre Manager Responsibilities	2
<a href="#"><u>3.0</u></a>	Income	3
<a href="#"><u>4.0</u></a>	Petty Cash / Cash Floats	3
<a href="#"><u>5.0</u></a>	Stock	3
<a href="#"><u>6.0</u></a>	Debtors	4
<a href="#"><u>7.0</u></a>	Creditors	4
<a href="#"><u>8.0</u></a>	Payments In Advance	7
<a href="#"><u>9.0</u></a>	Receipts In Advance	8
<a href="#"><u>10.0</u></a>	Work In Progress	8
11.0	Carry Forwards	8
<a href="#"><u>11.0</u></a>	Capital	9
<a href="#"><u>12.0</u></a>	Other Issues	9
	- Claims by or against the Council	
	- Leases	
	- Grants	
	- People & Equalities	
<a href="#"><u>13.0</u></a>	External Audit Requirements	11
<a href="#"><u>14.0</u></a>	Key Dates	12
<a href="#"><u>15.0</u></a>	Key Contacts	13
<a href="#"><u>16.0</u></a>	Creditors Flow Diagram	14
 <b>Appendices</b>		
<a href="#"><u>A</u></a>	Cash Imprest Certificate	15
<a href="#"><u>B</u></a>	Stock Valuation Certificate	16
<a href="#"><u>C</u></a>	Debtors Form	17
D	Creditors Form	18
E	Receipt In Advance Form	19
F	Capital Creditor Form	20
G	Carry forward request form	21

## 1.0 OVERVIEW AND BUDGET HOLDER AND COST CENTRE MANAGER RESPONSIBILITIES

- 1.1 These notes provide guidance for budget holders / cost centre managers in closing the accounts for 2010/11.
- 1.2 The statutory deadline by which the authority must approve its accounts is 30 June.
- 1.3 The key dates in the closure programmes are shown in Section 14.0 (page 12), your co-operation is vital to achieving these deadlines.
- 1.4 The guide sets out the responsibilities of budget holders / cost centre managers and the commitments made by Finance to support staff during this process and to answer some of the more frequently asked questions which are raised each year.
- 1.5 Throughout this guidance reference is made to “your Accountant” – a directory of key contacts can be found in Section 15.0 (page 13).

## 2.0 BUDGET HOLDER / COST CENTRE MANAGER RESPONSIBILITIES

- 2.1 Budget holders and cost centre managers in having a key role to play ensuring that the Statement of Accounts fairly reflects expenditure incurred during the year and the income due during the year rather than actual money paid or received.
- 2.2 It is therefore necessary to identify all goods and services received for which no payment has yet been made and account for these as *creditors*; and to identify goods and services provided for which no income has yet been received and to account for these as *debtors*.
- 2.3 It is also vital that you review your service(s) outturn for accuracy and completeness. If known items of income or expenditure appear to be missing or miscoded, talk to your Accountant who will assist you in correcting any errors. Your Accountant will arrange for any necessary transfers (in accordance with journal guidelines and associated certification requirements) within 5 working days.

### 3.0 INCOME

*If I receive income (cash/cheques) do I need to do anything?*

- 3.1 If you receive cash or cheques directly into your service, it is important that this is banked through the payments team promptly at the year-end. Please ensure finance receive all cash and cheques by the end of 1<sup>st</sup> April 2011 to ensure this happens.
- 3.2 Any miscellaneous income paid in on or after 1 April 2011 will be recorded in 2011/12.

### 4.0 PETTY CASH / CHANGE FLOATS

*I hold Petty Cash and/or a Change Float – do I need to do anything?*

- 4.1 Any cash held should be counted and reconciled at close of business on **31 March 2011**.
- 4.2 If there are any outstanding advances, every effort should be made to clear them before 31 March 2011. If this is not possible, please complete a creditor form for the total of the expected claim.
- 4.3 All balances held must be recorded on the year end **Cash Imprest Certificate (Appendix A)** and signed by the responsible officer. Completed certificates must be returned to Finance by **8<sup>th</sup> April 2011**.

### 5.0 STOCK

*What do I need to do if I hold stock?*

- 5.1 If you hold any significant amount of stock, then a stock take should be carried out at close of business on **31 March 2011**.
- 5.2 Any stock will need to be counted, recorded and valued as at 31 March 2011. The usual method of valuing stock is the lower of either cost and net realisable value (How much you can sell it for), in most cases this will be cost value. If a different valuation method has been used please state the method used and why on the stock certificate.
- 5.3 During the stock take, please identify any damaged or obsolete stock. Any stock held belonging to third parties must be kept separate from that of the Council.
- 5.4 Stock balances must be recorded on the year end **Stock Valuation Certificate (Appendix B)** and signed by the responsible officer. Completed certificates should be returned to Finance by **8<sup>th</sup> April 2011**.
- 5.5 If you are not sure whether or not you need to undertake a stock take, please check with your Accountant. This does not include small stocks of stationery held in departments.

## 6.0 DEBTORS

### *What is a debtor?*

- 6.1 A debtor is someone who owes money to the Council for goods or services provided on or before 31 March 2011. If you have any debts to raise for goods and/or services you have already provided please complete an invoice request, authorise them and pass them to the incomes team as soon as possible.

### *What do I do with debtor invoice requests?*

- 6.2 Debtor Invoice requests received by the Incomes Team (Nicki Peirce) by 4<sup>th</sup> April will be processed as normal and no further action is required.
- 6.3 If you have a debtor invoice request that is for 2011/12 please pass these to the incomes team with 2011/12 clearly marked in red on the top right hand corner of the request, these will be raised after the 6<sup>th</sup> April.
- 6.4 Should you have any 2010/11 debtor invoice requests after 4<sup>th</sup> April these need to be included on a Debtors form (**Appendix C**) and passed to Finance no later than 13<sup>th</sup> April for inclusion in 2010/11 accounts.

### *How do I record a debtor?*

- 6.5 The Incomes Team will make every effort to process 2010/11 invoice requests before 6<sup>th</sup> April 2011, however should this not be possible, they will be passed to Finance and your Accountant will contact you.
- 6.6 Where invoice requests have not been raised but debts are outstanding for goods and services provided on or before 31<sup>st</sup> March should be listed on the year end **Debtors Form (Appendix C)** and returned to your Accountant by 13<sup>th</sup> April 2011.

### *Does the value matter?*

- 6.7 Yes – please do not request individual transactions for less than £200

## 7.0 CREDITORS

### *What is a creditor?*

- 7.1 A creditor is someone who the Council owes money to for goods and services received on or before 31 March 2011.
- 7.2 A creditor provision is NOT a way of appearing to have spent your budget – it must relate to goods or services provided but not paid for in the financial year and match with the invoice when received. Finance are required to look closely at creditor provisions raised to ensure that they are valid. External Audit will also carry out a review to assess the accuracy of any provision made, and full working papers will need to be provided to substantiate any creditor if requested.

***How do I deal with Purchase Orders / Commitments?***

- 7.3 The payments team process invoices that they receive from suppliers or yourselves on a daily basis. It is your responsibility to check and chase the suppliers for all invoices relation to outstanding purchase orders.

***What do I do with Invoices?***

- 7.4 If you have invoices on your desk now for goods and/or services you have already received please authorise and process them as soon as possible.
- 7.5 In order to make payments into 2010/11 all authorised invoices must be with the payments team by **5pm on Wednesday 6th April 2011** at the latest.

***How do I do a manual creditor?***

- 7.6 Amounts payable for goods or services received on or before 31 March 2011 but for which no purchase order has been raised and/or no invoice has been received should be listed on the year end **Creditors Form (Appendix D)**
- 7.7 These forms must be completed and returned to Finance by **13<sup>th</sup> April 2011**.

***Do I need to record all manual creditors?***

- 7.8 No – please do not request individual transactions for less than £200
- 7.9 Some care should be taken with regard to bulk orders. It may be the case that an individual item is under £200 yet it forms part of a larger order from a single supplier. In this case, the value of the total order should be shown as a creditor, even though this may result in a creditor on any particular expenditure code being under the £200 level.
- 7.10 With regard to electricity / fuel bills and other regular payments, there may be some situations where a creditor does not need to be made, despite the fact that the item may be over £200. Please speak to your Accountant to agree where this is the case.
- 7.11 Where regular payments are made (e.g. quarterly subscriptions), a pragmatic approach should be taken, where the expense shown in the accounts should be the correct amount for the year; if not, make sure that there are four payments (if a quarterly account) within the financial year in question covering the 12 month period.

***What happens if the value of the creditor is unknown?***

- 7.12 As creditors should cover any goods or services received but for which an invoice has not been paid, it is quite likely that the value of some creditors will not be known and an estimate will be required. Please do not wait until an invoice is received, your best estimate of the value will be sufficient, but if you need any assistance with estimation please contact your management accountant.
- 7.13 It is possible in extreme circumstances to alter the estimate if the actual value is significantly different. However, this can only be done up to 15<sup>th</sup> April and will not normally be done unless the value of the change is greater than £5,000. If this is the case, please notify your management accountant as soon as possible.

***What happens if I miss a creditor provision?***

- 7.14 Each year the External Auditors will review invoices paid in the new year to see if they relate to goods or services supplied in the old year and whether a creditor has been missed. The auditors will report these findings to Audit & Governance Committee and if items have been missed they will be reported as errors. In order to avoid this, please make sure that you perform a full review of all your budgets.
- 7.15 If you receive an unexpected invoice after the 15 April 2011 deadline for which a creditor should be provided, please process in the new year as normal but if it is for a value of £5,000 or over, send a copy to your Accountant.

***What records should I keep/provide?***

- 7.16 You should provide all supporting documentation for all creditor provisions (e.g. delivery notes, confirmation of attendance at a course, etc.) so that we can supply this to the External Auditor.

***What happens if goods ordered against 2011/12 budgets arrive before 1 April 2011?***

- 7.17 If the goods (or services) arrive before the year end, they must be accounted for in the old year, by completing a year end creditor form and returning to finance by 13<sup>th</sup> April 2011.

**8.0 PAYMENTS IN ADVANCE / PREPAYMENTS**

***What is a payment in advance?***

- 8.1 A payment that has been made before 31 March 2011 for the supply of goods or services after that date.
- 8.2 A typical example would be an annual subscription paid in October 2010; there should only be 6 months in 2010/11 to cover the period to 31 March 2011, and 6 months in 2011/12. Assuming the subscription was for £1,000 then there would be a payment in advance of £500.

***What do I do if I think I have a payment in advance?***

- 8.3 Speak to your Accountant who will be able to advise you. As with creditors (see paragraph 7.17 above), a pragmatic approach should be taken and as long as a full years cost is accounted for in each financial year a payment in advance may not be necessary.
- 8.4 If a payment in advance has taken place, please complete the year end **Payment In Advance Form (Appendix C)** and return to Finance by 13<sup>th</sup> April 2011.
- 8.5 As with Debtors and Creditors, please do not record individual transactions of less than £200.



## 9.0 RECEIPTS IN ADVANCE

### *What is a receipt in advance?*

- 9.1 Income that has been received before 31 March 2011 for goods or services supplied after that date.
- 9.2 A typical example would be external grant income received in October 2010 for an identifiable project which will take place over 12 months; there should only be 6 months in 2010/11 to cover the period to 31 March 2011, and 6 months in 2011/12. Assuming the grant was for £1,000 then there would be a receipt in advance of £500.

### *What do I do if I think I have a receipt in advance?*

- 9.3 Speak to your Accountant who will be able to advise you.
- 9.4 If a receipt in advance has taken place, complete the year end **Receipts In Advance Form (Appendix F)** and return to Finance by **13<sup>th</sup> April 2011**.
- 9.5 As with Debtors and Creditors, please do not record individual transactions of less than £200.

## 10.0 WORK IN PROGRESS

### *What is work in progress?*

- 10.1 Work that has been carried out on an ongoing project or scheme before 31 March 2011, but will not be completed and/or invoiced until after 1 April 2011.

### *How do I value work in progress?*

- 10.2 For work in progress to be valued correctly, expenditure will have to have been incurred on or before 31 March 2011, that is materials and goods must have been physically received on or before that date. Likewise, any direct labour must have been physically carried out on or before 31 March 2011.

### *What do I do if I think I should account for work in progress?*

- 10.3 Please speak to your management accountant who will be able to advise you if a provision for work in progress is required and assist you with calculating the provision.

## 11.0 CARRY FORWARD REQUESTS

- 11.1 If you have a specific request for a carry forward, please complete the form attached as appendix G to finance by 20<sup>th</sup> April 2011.
- 11.2 Each request will be consider on a case by case basis and in light of the overall outturn position of the Council.

- 11.3 Any requests below £5k will be approved by the Head of Finance, and any over this amount will need to be approved by CEB.

## 12.0 CAPITAL

### *Is capital closure any different?*

- 12.1 Accounting for capital spending of the Council involves special care. While in principal the procedures outline above should be followed for capital as well as revenue, it is essential that capital accruals are recorded on separate schedules from revenue.
- 12.2 If you are responsible for capital spending, you must ensure that all capital accruals are advised to your Accountant by **13<sup>th</sup> April 2011** using the appropriate Capital Creditor forms (Appendix F).

### *Capital Contracts Retention and Certification of Work*

- 12.3 Measurement of capital works is vital. Contracts where retention is relevant should be identified and the retention costs reported to your Accountant. Care should be taken to have formal certification of works completed up to 31 March 2011 to enable the costs to be recorded in 2010/11, and these should also be provided by **13<sup>th</sup> April 2011**.

### *Commitments Under Capital Contracts*

- 12.4 We are required to disclose within the Statement of Accounts where we have committed future resources to capital projects, either contracted as at 31 March 2011 but not yet started, or projects that are running but not complete and will represent a commitment to future capital spend.
- 12.5 If you are responsible for a capital project, you must provide a calculation of the commitment entered into and an indication of when the spend will take place. This should not include capital creditors which you have already actioned.
- 12.6 Should you require any general assistance regarding capital closure, please contact your accountant.

## 13.0 OTHER ISSUES

### *Claims by or against the Council*

- 13.1 Claims made by or against the Council can lead to contingent assets or liabilities. Please inform your Accountant if you are aware of any such claims outstanding as at the year end who will then ensure that any liability or asset is correctly identified and disclosed within the accounts.
- 13.2 You will need to provide an estimate of the financial impact and indicate the uncertainties relating to the timing and/or amount of the claim.

### *Leases*

- 13.3 Where the Council receives income from assets leased to others (i.e. the Council is the Lessor), summary details must be published within the Statement of Accounts setting out the value of the assets and the income received under such arrangements.
- 13.4 Alternatively, if you lease an asset from another party to use in the provision of your services (i.e. the Council is the Lessee). Details of the payments made under the terms of these lease, along with the financial value of the remaining lease term after 1 April 2010 is required.
- 13.5 If you are responsible for leasing the Council's property to others or lease assets for your service, please talk to your Accountant who will be able to advise you of the detailed requirements.

**Grants**

- 13.6 Please inform your Accountant if you receive grant income. This is necessary to ensure that all terms of the grant are identified and met e.g. what expenditure is eligible, whether the grant can be carried forward, if the grant is capital or revenue, etc. Usually, a separate account code will have been created to record transactions against the grant, which can then be monitored to ensure claims are submitted as and when required and where applicable, an audit of the grant / claim can be undertaken.
- 13.7 Any grants received that have not been fully utilised at the year end should be identified and the relevant paperwork provided to your Accountant, **by the 13<sup>th</sup> April**, relating to the residual balance which may then be carried over into the new financial year, if this is allowable under the terms of the grant.

**People & Equalities**

- 13.8 Under the accounting regulations, we are now required to account for any holiday entitlement (annual leave, time off in lieu, flexi-leave, etc.) due to staff as at the end of the financial year. A form will be sent out to all Heads of Service towards the end of March to collect this information, which must be provided to Finance by the **13<sup>th</sup> April 2011** at the latest.

**14.0 EXTERNAL AUDIT REQUIREMENTS**

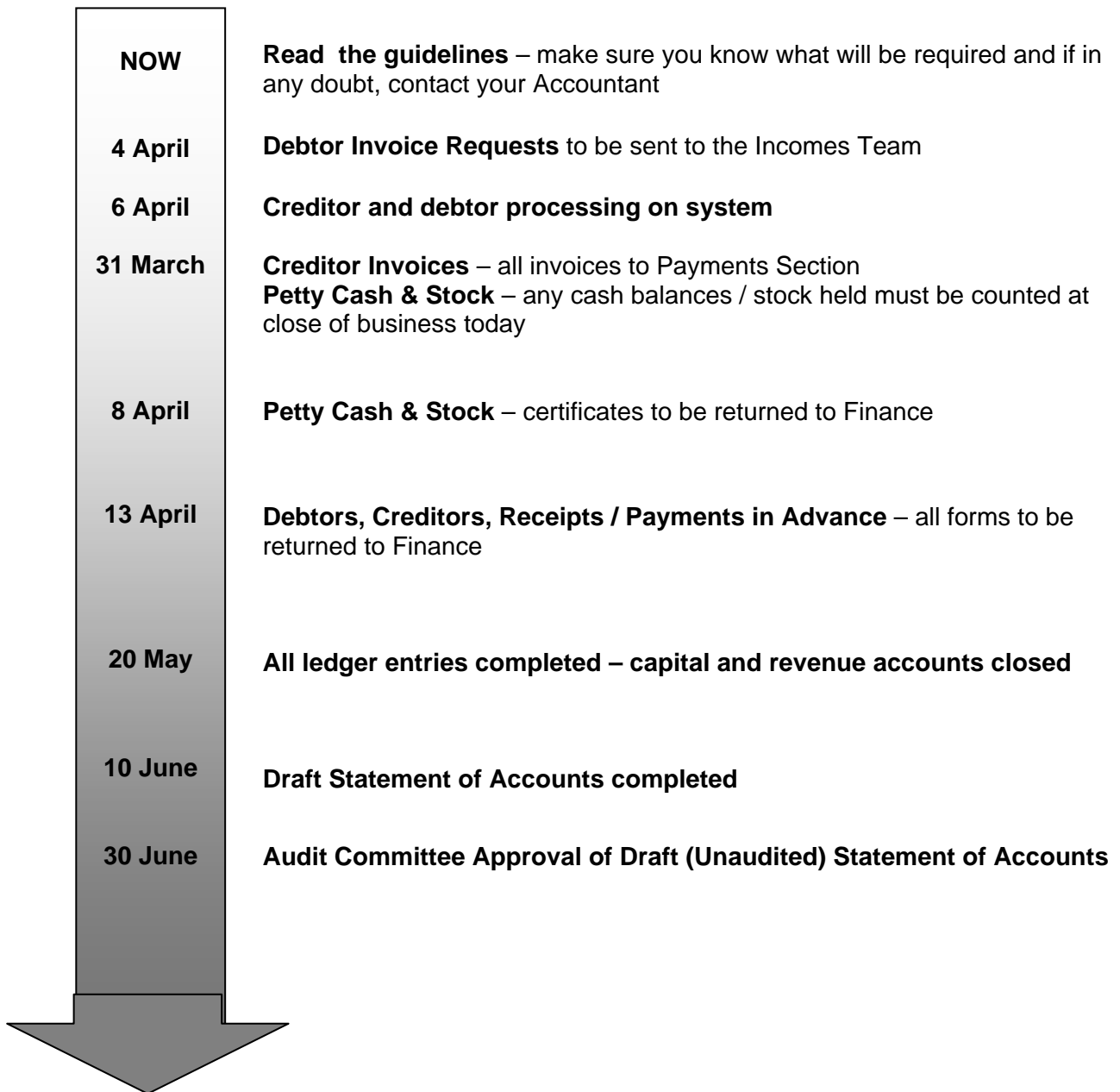
- 14.1 The Audit Commission are the Council's external auditors and they will be undertaking the audit of the 2010/11 financial statements. The audit starts on 1<sup>st</sup> July 2011 and is for a period of six weeks.

Interim Audit –	w/c 21 <sup>st</sup> Feb for 4 weeks
Statement of Accounts –	1 <sup>st</sup> July for 6 weeks

- 14.2 The first stage of the audit is concerned with documenting the main financial processes, identifying key controls and assessing the effectiveness of these controls. The result of this work allows the auditor to assess the risk that specific figures stated in the 2010/11 financial statements might be misstated. The auditor will look to spend time with selected council officers in order to understand and 'walk through' the systems.

- 14.3 The assessment of control risk helps determine the amount of detailed audit work that will be required to verify balances presented in the 2010/11 financial statements, which is the purpose of the second audit visit. This work will usually consist of either 'analytical review' or 'substantive testing'.
- 14.4 Analytical review looks for a detailed explanation, supported by evidence, for any changes in an account balance in comparison to expectations (e.g. against the budget or last years figure). Substantive testing looks to verify a 'sample' of the components which make up a balance, by matching them to primary third party evidence (e.g. supplier invoices to verify a creditor balance).
- 14.5 In most cases responsible budget managers or Heads of Service will be required to get involved in this process along with the Accountant for that Cost Centre. Please inform Finance as soon as possible of any leave that is to be taken at the same time as the planned audit periods so that the auditors work can be rescheduled.
- 14.6 For analytical review the auditors will look at financial balances which differ from what was expected either from past experience or from projections made at the start of the year. These differences can sometimes be an indicator of misstatement, changes in the allocation of transactions which make up the balance or that transactions are missing from the balance. This will involve an investigation of significant variances between the actual figure at 2010/11 year end, the 2010/11 budget and the figure at the 2009/10 prior year end.
- 14.7 For substantive testing, a sample of transactions making up an account balance will be selected and the auditors will look to verify the value, timing and existence of these transactions (e.g. a debtor or creditor). This provides assurance that transactions actually took place and are recorded in the correct accounting period at the correct value. To do this they will need to see original evidence, preferably from a 3rd party (e.g. the invoice or purchase order to which it relates).
- 14.8 The Auditors will supply in advance, a list of specific evidence that will be required to support the audit and budget holders may be expected to contribute towards this. In addition, the auditors may request further information as the audit work progresses. Requested information must be supplied promptly, in order to avoid overruns in the audit timetable.

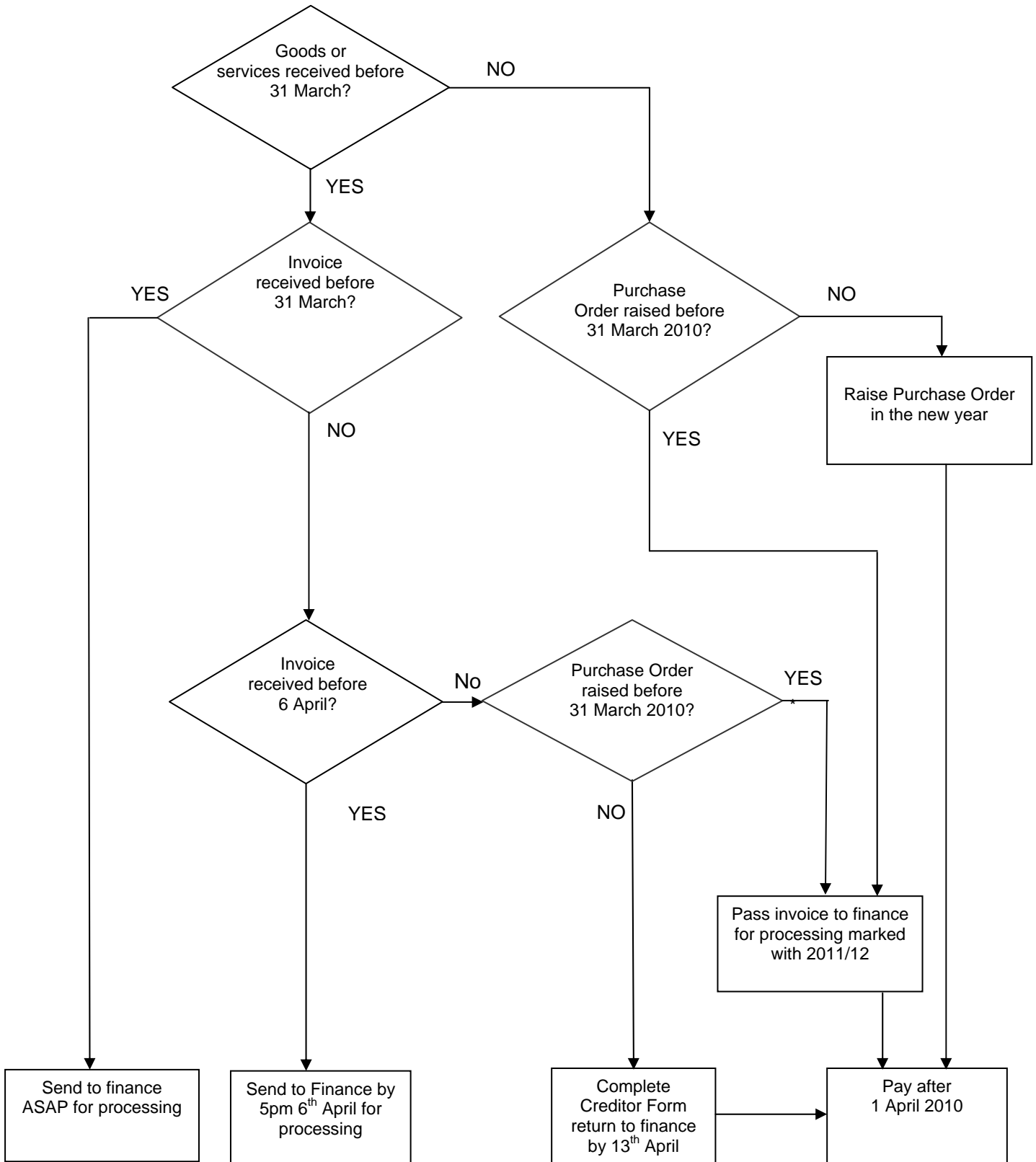
**15.0 KEY DATES**



16.0 KEY CONTACTS

<b>Overall Process</b>	Anna Winship	2517
Finance	Khalid Omer	2732
Business Transformation	Khalid Omer	2732
Procurement	Khalid Omer	2732
ICT	Khalid Omer	2732
People and Equalities	Khalid Omer	2732
Law and Governance	Khalid Omer	2732
City Leisure	Paul Swaffield	2481
Policy, Culture and Communication	Khalid Omer	2732
Environmental Development	Paul Swaffield	2481
Corporate Assets	Boksoon Cherry	2424
City Development	Boksoon Cherry	2424
Community Housing and Dev	Janine Graham	2593
Customer Services	Martin Westmoreland	2571
Direct Servies	Paul Jemetta	2945
Housing Revenue Account	Catherine O'Connor	3667
<b>Accounts Payable / Creditors</b>	Denise Sheppard	2607
<b>Accounts Receivable / Debtors</b>	Nicki Peirce	2653
<b>Capital</b>	Janine Graham	2593
<b>Other</b>		
Collection Fund	Adrian Wood	2619
Treasury Management	Anna Winship	2517
Insurance	Anna Winship	2517
Housing Benefits	Adrian Wood	2619

PAYING A CREDITOR INVOICE AT THE YEAR END



1

# IMPREST CASH CERTIFICATE

## 2010/2011

### PETTY CASH

I hereby certify that the total value of the above float on 31<sup>st</sup> March 2011 was : £

.....

Confirmed below by Float holder and countersigned by Line Manager

Signed: .....

Signed: .....

Name: .....

Name: .....

Dept: .....

Head of: .....



1

# STOCK CERTIFICATE

## 2010/2011

I hereby certify that the total value of stock held by:

on 31<sup>st</sup> March 2011 amounted to : £ .....

And that:

- A system of stocktaking has been in operation throughout the year to 31<sup>st</sup> March 2011
- All items of stock were purchased from expenditure code: .....
- The inventory of stock supporting the figure of £ ..... was prepared by

.....  
on a physical count basis.

- All stock has been valued at cost / net\* realisable value (\* delete as appropriate)

Signed: .....

Signed: .....

Signed:

.....  
Name: .....

Name: .....

Name:

.....  
Dept: .....

Head of: .....

Dept:

.....  
Date: .....

Date: .....

Date:





Initials Service Area Sequence number eg. 01

FINANCIAL & ASSET MANAGEMENT

RECEIPTS IN ADVANCE AS AT 31/3/2011

Please complete the form as follows:-

- 1. Enter your initials (2 or 3 characters), your Service Area code (from the dropdown list), and a sequence number on row 1.
2. On each row enter account code, cost centre and total amount to be debited (one entry per creditor type per cost centre).
3. Start in cell B31. Do not leave blank rows. Do not use cut and paste within this form (it messes up the balance sheet formula).
4. For each line, enter relevant code for the Receipt in Advance type as follows:-

Table with 3 columns: Code, Receipt in Advance Type, Bal Sheet A/c. Rows include CT Council Tax RIA (ZC10100), NN NNDR RIA (ZC10200), H Housing Rents RIA (ZC10300), C Commercial Rents RIA (ZC10400), O Other Receipts In Advance (ZC10500).

(the sheet will automatically display Balance Sheet Account/Cost Centre & Credit Amount for each line).

- 5. Check for errors. Ensure that you have entered dates in I3 and I74.
6. Email the completed form to your management accountant, in accordance with the Year End timetable.
7. Print the form, authorise and then send it to your management accountant, with supporting documentation for all entries, retain a copy for your own file.

Table with columns: REVENUE CODE (Account, Costc), DEBIT AMOUNT (£). Multiple rows for data entry.

Table with columns: BALANCE SHEET (Receipt In Adv Type, Account, Costc), CREDIT AMOUNT (£). Multiple rows for data entry.

Table with column: DESCRIPTION (Max 100 Characters incl. Spaces). Multiple rows for data entry.

Total £ 0.00

Total £ 0.00

FORM REF

Initiating Officer:

Date :

CERTIFICATION:

I CERTIFY THAT THE SUMS SHOWN ABOVE REPRESENT THE GOODS OR SERVICES RECEIVED BY THE CITY COUNCIL BEFORE 1/4/2010

Signature of Certifying Officer





**CARRYFORWARD FORM 2010/11**

<b>Service Area:</b>		<b>Reference:</b>
<b>Officer Responsible:</b>		
<b>Head of Service</b>		
<b>2010/11</b>	1 <i>Original budget</i>	
	2 <i>Actual Spend</i>	
	3 <i>Underspend</i>	
<b>Reason budget was underspent:</b>		
<b>Amount required to be carried forward:</b>		
<b>Date</b>		