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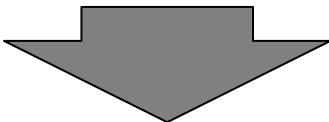
2011/12 YEAR END CLOSING OF ACCOUNTS GUIDANCE

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KEY DATES

NOW	Read the guidelines – make sure you know what will be required and if in any doubt, contact your Accountant
28 March	Last day for debtor requests to be received in Finance Last day for creditor invoices to be received in Finance
30 March	Last Day for Creditor and Debtor processing on system
30 March	Petty Cash & Stock – any cash balances / stock held must be counted and reconciled at close of business today
5 April	Flex & Toil – data to be returned to Finance
6 April	Petty Cash & Stock – certificates to be returned to your Accountant in Finance
13 April	Accruals forms – all forms to be returned to Finance, with full working papers
11 May	All ledger entries completed – capital and revenue accounts closed
31 May	Provisional Outturn 1 st draft of report completed
8 June	Draft Statement of Accounts completed
28 June	Audit Committee Approval of Draft (Unaudited) Statement of Accounts



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 2011/12.
- 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 15 (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 16.0 (page 13).

2.0 BUDGET HOLDER / COST CENTRE MANAGER RESPONSIBILITIES

- 2.1 Budget holders and cost centre managers have 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 29th March 2012 to ensure these are posted into 2011/12 accounts.
- 3.2 Any cash or cheques received in finance after this date will be paid into 2012/13, if the cash relates to 2011/12 please talk to your accountant to arrange the transfer.

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 **30th March 2012**.
- 4.2 If there are any outstanding advances, every effort should be made to clear them before 30th March 2012. 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 a year end **Cash Imprest Certificate**, these will be circulated to all Heads of Service on 16th March, these should be completed, signed by the responsible officer and returned to your Accountant by **6th April 2012**.

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 **30th March 2012**.
- 5.2 Any stock will need to be counted, recorded and valued as at 31 March 2012. The usual method of valuing stock is the lower of either cost or 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**, these will be circulated to all Heads of Service on 16th March, these should be completed, signed by the responsible officer and returned to your Accountant by **6th April 2012**.
- 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 2012. 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 in Finance 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 28th March will be processed as normal and no further action is required.
- 6.3 If you have a debtor invoice request that is for 2012/13 please pass these to the incomes team with 2012/13 clearly marked in red on the top right hand corner of the request, these will be raised after the 31st March.
- 6.4 Should you have any 2011/12 debtor invoice requests after 28th March these need to be included on a Debtors form and passed to your Accountant no later than **13th April** for inclusion in 2011/12 accounts.

How do I record a debtor?

- 6.5 Where invoice requests have not been raised but debts are outstanding for goods and services provided on or before 31st March, these should be listed on the year end **Debtors Form** and returned to your Accountant by **13th April 2012.**

Does the value matter?

- 6.6 Yes – please do not request individual transactions for less than £500

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 31st March 2012.
- 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 relating to outstanding purchase orders in your area.

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 pass them to the payments team as soon as possible, marking them clearly with the year to which they relate.
- 7.5 In order to make payments into 2011/12 all authorised invoices must be clearly marked with '2011/12' in red ink and received by the payments team by **5pm on Wednesday 28th March 2012** at the latest, this will ensure that they are entered into the 2011/12 accounts.
- 7.6 Any invoice received by the payments team after the 28th March, should be clearly marked in red ink with the year to which they relate. If they relate to 2011/12 ensure your Management Accountant is aware of these invoices to ensure they are accrued for correctly. Any invoice received with no year clearly marked will be posted into the new financial year.

How do I do a manual creditor?

- 7.7 Amounts payable for goods or services received on or before 31st March 2012 but for which no invoice has been received should be listed on the year end **Creditors Form**.
- 7.8 These forms must be completed and returned to your Accountant by **13th April 2012**.

Do I need to record all manual creditors?

- 7.9 No – please do not request individual transactions for less than £500
- 7.10 Some care should be taken with regard to bulk orders. It may be the case that an individual item is under £500 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 £500 level.
- 7.11 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 £500. Please speak to your Accountant to agree where this is the case.
- 7.12 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?

- 7.13 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. You will still be required to provide working papers to support your estimation.

- 7.14 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 18th 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?

- 7.15 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.
- 7.16 If you receive an unexpected invoice after the 18th April 2012 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, speak to your Accountant.

What records should I keep/provide?

- 7.17 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 2012/13 budgets arrive before 1 April 2012?

- 7.18 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 13th April 2012.

8.0 PAYMENTS IN ADVANCE / PREPAYMENTS

What is a payment in advance?

- 8.1 A payment that has been made before 31st March 2012 for the supply of goods or services after that date.
- 8.2 A typical example would be an annual subscription paid in October 2011; there should only be 6 months in 2011/12 to cover the period to 31st March 2012, and 6 months in 2012/13. 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 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** and return to Finance by 13th April 2012.
- 8.5 As with Debtors and Creditors, please do not record individual transactions of less than £500.

9.0 RECEIPTS IN ADVANCE

What is a receipt in advance?

- 9.1 Income that has been received before 31st March 2012 for goods or services supplied after that date.
- 9.2 A typical example would be external income received in advance for an event or course being held by the Council. If the income is received in March 2012 and the event or course is not held until April 2012, this is a receipt in advance and therefore should be included within 2011/12 accounts.

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** and return to Finance by **13th April 2012**.
- 9.5 As with Debtors and Creditors, please do not record individual transactions of less than £500.

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 31st March 2012, but will not be completed and/or invoiced until after 1 April 2012.

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 31st March 2012, 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 31st March 2012.

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 a carry forward request form and return to finance by 20th April 2012.
- 11.2 Each request will be consider on a case by case basis by the Head of Finance in conjunction with Directors and in light of the overall outturn position of the Council.
- 11.3 Any requests below £5k will be assessed by the Head of Finance, and any over this amount will need to be submitted to 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 outlined 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 **13th April 2012** using the appropriate Capital Creditor forms.

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. Where possible valuations for capital works in progress should be undertaken as close to the 31st March 2012 as possible so that the correct value of works to date is recorded in the accounts. Any invoice submitted relating to such valuations not paid in 2011/12 should be submitted on the appropriate Capital Creditors Form by **13th April 2012**.

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 31st March 2012 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 leases, along with the financial value of the remaining lease term after 1 April 2012 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 13th 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. Annual Leave information will be obtained from I-trent, however we will need to collate any Flex or TOIL balances as at 31st March for all staff directly from the Service area. 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 **13th April 2012** 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 2011/12 financial statements. The audit will commence on the 2nd July 2012 and can be for a period of up to 3 months.

Interim Audit –	w/c 9 th Jan for 4 weeks
Statement of Accounts –	1 st July for up to 3 months

- 14.2 The Interim 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 risks that specific figures stated in the 2011/12 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 2011/12 financial statements, which is the purpose of the second audit visit. This work will usually consist of either 'analytical review' or 'substantive testing'.

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- 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 your accountant 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 the 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 2011/12 year end, the 2011/12 budget and the figure at the 2010/11 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 CONTACTS

Overall Process	Anna Winship	2517
Finance	Paul Swaffield	2481
Business Transformation	Marie Molyneux	2174
ICT	Paul Swaffield	2481
People and Equalities	Marie Molyneux	2174
Law and Governance	James Marriot	2732
City Leisure	James Marriot	2732
Policy, Culture and Communication	Marie Molyneux	2174
Environmental Development	Paul Swaffield	2481
Corporate Assets	Jonathan Marks	2105
City Development	Jonathan Marks	2105
Community Housing and Dev	Endah Paton	2102
Customer Services	Marie Molyneux	2174
Direct Services	Suzan Smart	2483
Housing Revenue Account	Catherine O'Connor	2534
Accounts Payable / Creditors	Denise Sheppard	2607
Accounts Receivable / Debtors	Nicki Peirce	2653
Capital	Andrew Friar	2763
Other		
Collection Fund	Adrian Wood	2619
Treasury Management	David Cripps	2739
Insurance	Anna Winship	2517
Housing Benefits	Adrian Wood	2619

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