

To: Audit & Governance Committee

Date: 18th April 2013

Report of: Head of Finance

Title of Report: Preparation for the completion of the Statement of Accounts for 2012-13

Summary and Recommendations

Purpose of report: To update members on the preparations being made for the completion of the Statement of Accounts for 2012-13.

Policy Framework: Financial stability

Recommendation(s):

The Audit and Governance Committee is asked to note progress with the preparations for the Statement of Accounts for 2012-13.

Appendix A – A copy of closedown guidance note for Managers

BACKGROUND

- 1 The Annual Governance Report from the Audit Commission for last year gave an 'unqualified opinion' on the Council's Statement of Accounts for 2011-12. This was a considerable achievement for the third year running.
- 2 From October 2012 Ernst and Young are the Councils appointed auditors and they will take over the auditing of the Statement of Accounts from the role performed by the Audit Commission previously.
- 3 Essentially the auditing team from Ernst and Young are the same staff as were previously employed by the Audit Commission and the Councils Finance Team continue to maintain regular contact with them throughout the planning and closedown period. The process is expected to remain the same and a close working relationship will be maintained.

NEW ISSUES FOR 2012-13

- 4 The accounts are prepared in accordance with proper practices as set out in the CIPFA/ LASAAC Code of Practice on Local Authority

Accounting in the United Kingdom, known as the 'Code'. There are no significant new areas of change in this years Code, however there are some areas which were new last year that we have continued to work on:

- **Carbon Reduction Commitment Allowance**
The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. Further details have been provided in the 2012/13 Code with guidance as to the accounting treatment of this scheme.
- **Housing Revenue Account (HRA) Self Financing**
The 2012/13 Code includes minor amendments to the HRA income and Expenditure Statements, and includes revisions to reflect the changes in the statutory accounting requirement for property, plant and equipment in relation to the transfers to and from the Major Repairs Reserve under the new self – financing arrangements for Housing Authorities, The impact of this means that there will be an annual depreciation charge for non council dwellings to the HRA of approx. £370k, in respect of Garages and shops.

5 Whilst the progress on accounts closure has been significant, a number of areas of improvement were highlighted by the Audit Commission, along with the Council progress, as follows :

- a. Guidance needs to be provided to the Finance team on classification of income and expenditure in the Comprehensive Income and Expenditure Statement

Response – This error arose due to inaccurate links from the general ledger to the Comprehensive Income & Expenditure Statement (CI&E), due to a misunderstanding of the classification of the income and expenditure. A review of the reporting structure has been carried out to ensure that all income and expenditure codes are now accurately classified into the appropriate areas in the CI&E and disclosure notes

- b. Review of the HRA accounts and supporting working papers

Response – Additional time has been allocated in the Closedown Plan for Senior Managers within Finance to undertake a thorough process of review on all statements and working papers including those on the HRA. Finance staff have been given additional training on what constitutes a 'good working paper' drawing on best practice in those areas which improved last year.

- c. Management of the process for leases, including continual monitoring and identification of new leases

Response – a process, which includes regular meetings with Corporate Property to discuss any impending new or changing leases, and the use of ‘change notes’ to identify any actual changes is now in place to ensure all changes are accounted for timely and appropriately

- d. Ensure all related party declarations are completed

Response – a robust process to chase all outstanding related party declarations, including chasing members earlier than in previous years has been commenced. Members of the Audit and Governance committee have previously endorsed this process and the need to ensure compliance.

- e. Ensure coding structure supports the appropriate disclosures

Response – see response to (a) above

GUIDANCE AND TRAINING

- 6 In line with previous years a guidance note has been issued to all Heads of Service, Operational Managers and staff involved in the closedown process. A copy of the guidance is attached at Appendix A. There are no significant changes to previous years.

Financial Implications

- 7 These are adequately covered within the report.

Legal Implications

- 8 There are no legal implications in connection with the recommendations included within the report

Risk Implications

- 9 There would be a reputational impact for the Council should it not achieve an unqualified set of accounts of 2012/13. However the progress on closedown to date would conclude that the Timetable is currently being adhered to and the risk of a ‘qualified’ set of accounts is, at this stage, considered to be low.

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Background papers: None

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