
Meeting: Audit Committee
Date: 7 January 2013
Subject: Final Accounts Process 2012/13
Report of: Charles Warboys – Chief Finance Officer
Summary: The report summarises key changes in the Statement of Accounts for 2012/13 and reviews internal procedures for producing the Statement of Accounts.

Advising Officer: Charles Warboys – Chief Finance Officer
Contact Officer: Ralph Gould – Head of Financial Control
Public/Exempt: Public
Wards Affected: All
Function of: Council

CORPORATE IMPLICATIONS

Council Priorities:

Not Applicable

Financial:

1. The accounts are based on International Financial Reporting Standards (IFRS) as defined by the CIPFA Code of Practice and are therefore required to incorporate any changes to the CIPFA Code on an annual basis.

Legal:

2. The production of an annual Statement of Accounts is a requirement of the Accounts and Audit Regulations 2011. The accounts are to be prepared in line with 'proper accounting practice' and the Local Government Act 2003 section 21(2) specifies the CIPFA Code of Practice as representing proper accounting practice for this purpose.

Risk Management:

3. Not Applicable.

Staffing (including Trades Unions):

4. Not Applicable.

Equalities/Human Rights:

5. Not Applicable.

Public Health

6. Not Applicable.

Community Safety:

7. Not Applicable.

Sustainability:

8. Not Applicable.

Procurement:

9. Not Applicable.

RECOMMENDATIONS:**The Committee is asked to:**

- 1. Consider the key changes in the account statements and processes;**
- 2. Approve an interactive presentation as an alternative method of presenting the unaudited accounts to Audit Committee and other Members in June 2013.**

Background

10. The Accounts and Audit Regulations 2011 require the Chief Finance Officer of the Local Authority to prepare and sign a set of unaudited accounts by 30 June each year. Audited accounting statements are required to be re-certified by the Chief Finance Officer, signed by the Chair of the Audit Committee and published by 30 September each year.
11. Until 2011, it had been a requirement for Local Authorities to obtain Audit Committee approval of the statement of accounts prior to 30 June and the completion of the external audit. This requirement was withdrawn in the 2011 Regulations and this change is reflected in the 2012/13 Code of Practice.
12. Under the same regulations, the accounts are required to present a 'true and fair' view of the financial position of the Council and comply with 'proper accounting practices'. The Local Government Act 2003 specifies the CIPFA Code as representing proper accounting practices for this purpose. The CIPFA Code is issued annually in November.
13. An annual Local Authority Accounting Panel (LAAP) bulletin is issued by CIPFA at the end of the financial year to address any specific issues arising from the CIPFA Code of Practice. These bulletins have the same status as the CIPFA Code in forming the statutory basis of the Council's accounts.

14. From 2012/13, CIPFA will also issue mid-year updates to the Code of Practice on an exceptional basis. An update is expected before the end of the financial year to detail accounting updates for the Housing Revenue Account (HRA) following the move to self-financing.

CIPFA Code of Practice 2012/13

15. In comparison to recent years, the overall changes in the 2012/13 Code are minimal and will not require any material restatements in the accounts.
16. The 2012/13 Code encourages Local Authorities to review the Explanatory Foreword to the accounts in line with the Government's Financial Reporting Manual (FRoM). It is not envisaged this would result in significant changes and discretion has been emphasised to meet local requirements.
17. The FRoM requirements as outlined in the CIPFA Code of Practice will be considered when drafting the Explanatory Foreword for 2012/13, as outlined in the Code of Practice.
18. Changes made in the Account and Audit Regulations 2011 have been incorporated into the 2012/13 Code. These include:
 - The Statement on Internal Control (SIC) being replaced by the Annual Governance Statement.
 - Approval requirements for the statement of accounts have been revised and the unaudited accounts no longer require audit committee approval in June.
 - Updated definitions on who constitutes a 'Related Party' of the Local Authority for disclosure in the accounts.
19. Accounting for schools assets and whether these should be on the asset register of Local Authorities is not addressed in the Code. A consultation has been issued by CIPFA in this regard and it is anticipated that guidance will be included in the Code of Practice for 2013/14.
20. The Code includes updates to accounting requirements for the Carbon Reduction Commitment (CRC) scheme. It is anticipated that there will be further information on certain aspects of this scheme outlined in the CIPFA Code update.
21. The Code has clarified a number of areas which have proved problematic for Local Authorities last year, including accounting for grants, joint ventures, loans and advances treated as capital and the disclosure of exit packages.

Accounts Process

22. The Accounts and Audit Regulations 2011 removed the requirement for the unaudited Statement of Accounts to be approved by Audit Committee by 30 June each year. This has now been reflected in the 2012/13 CIPFA Code. The Chief Finance Officer is required to certify the unaudited Statement of Accounts by 30 June each year.

23. Requirement for formal Audit Committee approval was removed to enable Councils to have more time in preparing their statements prior to the audit process. It also recognised that Councils are best placed determine the level and method of scrutiny prior to the audit taking place.
24. The requirement for the Chief Finance Officer to sign off the audited accounts and for Audit Committee to approve the audited accounts before 30 September each year is still in place.
25. In 2011/12 the practice of submitting unaudited accounts to Audit Committee was retained at Central Bedfordshire Council, where the accounts were noted but not formally approved. The statement of accounts were consequently prepared two weeks earlier than their statutory deadline and couriered to Audit Committee Members on 14 June 2012.
26. Following changes to the Regulations and the CIPFA Code, the Council is free to employ techniques to enhance scrutiny of the statements at this stage and to be more imaginative in engaging Members in a way which may be more useful and interesting.
27. It is proposed that instead of formally presenting the draft accounts to Audit Committee in June, a separate presentation open to all Members will be held at the end of June. This will enable direct and wider Member engagement with the accounting statements, explain the technical statements in a meaningful way and focus on the most important messages within the accounts. Members will be able to ask direct questions relating to the accounts on the day.
28. Presenting the accounts in this manner would help to enhance wider scrutiny and understanding of the accounting statements. This change would also maximise the amount of time in June for officers to concentrate on quality assurance work thereby minimising the likelihood of any revisions being required following the external audit process.

Appendices:

None

Background Papers: (open to public inspection)

None