

AUDIT COMMITTEE

12 MARCH 2013

STATEMENT OF ACCOUNTS 2012/13

REPORT OF HEAD OF FINANCE

Contact Officer: Liz Keys Tel No: 01962 848226 email: LKeys@winchester.gov.uk

RECENT REFERENCES:

AUD030: Statement of Accounts 2011/12, 12 March 2012

AUD042: Annual Governance Report 2011/12, 25 September 2012

AUD048: Annual Audit Letter 2011/12, 4 December 2012

EXECUTIVE SUMMARY:

This purpose of this report is to update the Committee on the changes that are required to the Statement of Accounts for 2012/13.

Legislation requires that the pre-audit Statement of Accounts is signed by the Head of Finance by 30 June, and that the audited Statement of Accounts is approved by Members, by 30 September, annually.

The Audit Commission will undertake its "pre-statement" work in April and conduct the main audit work in the Summer.

RECOMMENDATION:

That the Audit Committee notes the proposed changes to the Statement of Accounts for 2012/13.

AUDIT COMMITTEE

12 MARCH 2013

STATEMENT OF ACCOUNTS 2012/13

REPORT OF HEAD OF FINANCE

1. Introduction

- 1.1. The purpose of this report is to advise the Audit Committee of the statutory changes required in the presentation of the Statement of Accounts for 2012/13.

2. Changes to the Statement of Accounts

- 2.1. The Statement of Accounts is prepared in accordance with “proper practices” as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and any subsequent Local Authority Accounting Panel (LAAP) recommendations. This year, the Code requires only a few changes to be made to the Accounts. Further detail of the impact of these on the Council’s accounts follows.

2.1.1. Housing Finance Reform

The 2012/13 year marks the commencement of the new self-financing regime for the Housing Revenue Account (HRA) in England, which was introduced by means of the Localism Act 2011 and the suite of self-financing determinations issued by the Department for Communities and Local Government (DCLG) on 1 February 2012. This suite of Determinations includes “the Item 8 Determination”.

Authorities are required to charge depreciation and impairment losses on all HRA properties calculated in accordance with proper practices, including non-dwelling properties. There are, however, transitional arrangements applying for a five-year period which permit authorities to make a credit transfer from the HRA to the Major Repairs Reserve for housing dwelling depreciation in excess of a ‘notional’ Major Repairs Allowance (MRA), thus allowing authorities to reduce the impact of depreciation on the bottom line of the HRA for the transitional period (a five-year period commencing in 2012/13). The Council is taking advantage of these transitional arrangements and is planning to make the changes required within the 5 year period.

The Item 8 Determination also requires authorities to estimate the proportion of their total debt management expenses, attributable to the HRA. The calculation of debt management expenses and the attribution of these to HRA and other services are regarded as a matter for local authorities and their auditors. The Council’s budgets include the implications of this requirement.

2.1.2. Conceptual Framework for Financial Reporting

The Code has been revised to take account of the International Accounting Standards Board’s *Conceptual Framework for Financial Reporting 2010*. This

framework gives guidance on the objective and qualitative characteristics of financial information. Highlighting in particular the fundamental qualitative characteristics as being relevance (capable of making a difference in decisions made by users) and faithful representation (being complete, neutral and free from error).

2.1.3. Explanatory Foreword

The Code encourages the preparation of the explanatory foreword to follow Central Government's Financial Reporting Manual (FReM). As a result, there will be areas of additional content, including any significant changes to accounting policies; a note of the Council's current borrowing facilities; and explanation of the significance of any pensions' liability.

3. Update on Internal Control

3.1. In the Annual Governance Report for 2011/12 (AUD042, September 2012) and the Annual Audit Letter 2011/12 (AUD048, December 2011) the External Auditors did not raise any areas of concern.

3.2. However, in the Statement of Accounts 2011/12 report (AUD030, March 2012) two opportunities for improving internal controls, which had been highlighted by the External Audit during 2010/11, were reported on. These were:-

- the implementation of a payroll control account, and
- a reduction in the number of staff with full access to the Accounts Payable system.

3.3. There has been progress in both these areas:

- A payroll control account reconciliation process has been fully implemented, with independent review, monthly.
- An audit has been conducted on access controls to the Financials system, and procedures have been changed as a result. The detail of these actions will be reported to Committee in the next Internal Audit update report.

4. Future developments update

4.1. Included within the 2011/12 Explanatory Foreword were several future developments for the Council.

4.1.1. Silver Hill regeneration scheme

The public inquiry into the use of a Compulsory Purchase Order (CPO) to undertake the regeneration of this area began on 26 June 2012. The decision from the Secretary of State on whether to confirm the order is expected soon.

4.1.2. Future of Local Public audit

As previously reported, the Audit Commission have awarded the contract for the next five years' external audit of the Council to Ernst & Young. The new audit team commenced work on the 2012/13 audit in September 2012.

OTHER CONSIDERATIONS:

5. SUSTAINABLE COMMUNITY STRATEGY AND CHANGE PLANS (RELEVANCE TO):

- 5.1. Preparation of the Statement of Accounts is fundamental to the operation of the Council. Achieving corporate priorities must go in hand with accounting for how the public's money has been spent.

6. RESOURCE IMPLICATIONS:

- 6.1. These are covered within the report.

7. BACKGROUND DOCUMENTS:

None