



AUDIT COMMITTEE 4 December 2012	

Subject Heading:	Closure of Accounts Timetable 2012/13
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Policy context:	This report advises the Audit Committee of the progress to date in preparing for the Closure of Accounts 2012/13
Financial summary:	There are no direct financial implications to the report. However, the increased disclosure requirements relating to Infrastructure assets may require additional costs to be incurred in relation to the valuation and review of those assets.

The subject matter of this report deals with the following Council Objectives

- Clean, safe and green borough
- Excellence in education and learning
- Opportunities for all through economic, social and cultural activity
- Value and enhance the life of every individual
- High customer satisfaction and a stable council tax

SUMMARY

This report advises the Audit Committee of the progress to date in preparing for the closure of Accounts 2012/13.

RECOMMENDATIONS

The Committee is asked to note the report and the actions taken to date to prepare for the 2012/13 closure of accounts.

REPORT DETAIL

1. Background

The Council successfully closed its accounts and prepared its Financial Statements on an IFRS (International Financial Reporting Standards) basis for the second time in 2011/12.

There are a number of technical changes required under The Code of Practice in 2012/13. The priority for the closure programme is to ensure that all key activities have been captured in the timetable and roles and responsibilities identified and understood.

2. Key Issues

The key issues to be addressed during the 2012/13 closedown are as follows:

2.1. Infrastructure Assets

Infrastructure assets include roads, highways, bridges and street furniture. These assets are currently recorded on the Balance Sheet on a Depreciated Historic Cost (DHC) basis. The Whole of Government Accounts guidance includes a requirement to record such assets on a Depreciated Replacement Cost (DRC) basis in 2012/13. It will be necessary to identify all such assets, with appropriate measurements and then establish the cost of replacing these assets at current prices (in accordance with The Code of Practice on Transport Infrastructure Assets). Valuations would need to be updated regularly in order to ensure compliance with The Code.

The phasing is expected over a two year period as set out below. In 2012/13 the Council can opt to make a minimum disclosure by way of a note to the accounts with full disclosure in 2013/14. However, the 2012/13 prior year comparatives will need to be re-stated in the 2013/14 accounts to reflect the changed valuation basis.

In 2013/14, the Council's Balance Sheet valuation will increase significantly as would the annual depreciation and impairment charges to the related service revenue accounts. However, there would be no impact upon the Council's revenue out-turn as depreciation and impairment charges are reversed out through the

Capital Adjustment Account. The precise requirements are currently being evaluated by officers.

Year	Requirement
2012/13	Voluntary note to the Statutory Accounts
2013/14	Full disclosure

2.2. Homes in Havering

The re-integration of the Arms Length Management Organisation requires a number of changes to the accounting disclosures and ultimately the Council would no longer be required to produce Group Accounts. From an operational viewpoint, HiH relied heavily on agency staff which brings with it additional risks associated with high staff turnover and continuity of service.

2.3. Oracle Phase 2 - I-Procurement

Implementation of Oracle phase 2, i-proc, is an additional call on staff time involved in the closure process. Systems shut down of i-proc will involve a two tier shutdown as go live is planned to take place on 1st Jan 2013.

2.4. Public Health Transfer

Public Health services in Havering are being transferred to the Council in April 2013. The timing of this merger will affect closedown between 1st April and 30th June as staff involved in normal closedown activities may be diverted to the project.

2.5. Council Tax Benefit System reform

The Welfare Reform Act 2012 will abolish the national Council Tax Benefit scheme from April 2013 and the Local Government Finance Bill currently making its way through Parliament will enable Local Authorities to design their own local council tax support schemes. Preparation and implementation of the new scheme may impact upon the ability to deliver a successful closedown programme.

2.6 Local Government Financial Settlement

Major changes in Local Government Funding are expected to be confirmed in the Government's autumn statement including the localisation of Business Rates. Staff time has been prioritised towards understanding the implications of the proposals for budget setting purposes, public consultation and the implementation of new systems and processes. These matters inevitably impact upon the ability to plan and resource the closure timetable.

3. Progress to Date

The final year end closure of accounts timetable has been issued and is being monitored. Regular meetings have been scheduled until the end of June 2013.

The guidance notes have been consulted upon and are being updated. The final documentation will be issued in early January 2013.

The closedown planning process began in earnest in November 2012. The process will be monitored routinely by Corporate Finance. Regular reports will be made to both Corporate Management Team and Audit Committee.

4. Progress against matters raised by the external auditors in the Report to Management (ISA 260)

a) Listing of creditor and accruals from the Oracle system

As part of Auditors' testing of the Accounts Payable balance, they requested a list of the creditors making up the balance in the accounts split by trade payables and accruals. Options to produce the report will be investigated and explored by ISS to determine the most appropriate way forward for 12/13.

b) Monthly payroll reconciliations did not operate as intended throughout the financial year

During the 2011/12 financial year the Authority was unable to perform monthly payroll reconciliations between the payroll system and the main accounting Oracle R12 system.

From discussion we know that the control deficiency is due to an Oracle report issue which is being investigated and corrected. A year end payroll reconciliation was produced for the purpose of the audit.

Financial Implications and risks:

The technical accounting changes arising from the revisions to The Code of Practice do not give rise to any direct financial implications. However, the more complex accounting and valuation requirements associated with infrastructure assets will generate additional work and may give rise to increased cost pressures. In particular, it will be necessary to introduce a regular valuation programme for all infrastructure assets in order to value them on a Depreciated Replacement Cost (DRC) basis instead of Depreciated Historic Cost (DHC).

Legal Implications and risks:

Section 21 of the Local Government Act 2003 requires that accounting practices including the Statement of Accounts be undertaken in accordance with proper practices set out in relevant regulations. The Local Authority must also have regard to the code of Practice on Local Authority Accounting for 2011/12 (based upon International Financial Reporting Standards) which sets out the proper practices applicable with effect from 1st April 2011.

Human Resources Implications and risks:

None arising directly.

Equalities and Social Inclusion Implications and risks:

None arising directly

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Background Papers List