



AUDIT COMMITTEE

28 February 2013

Subject Heading:

Closure of Accounts Timetable 2012/13

Policy context:

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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	<input type="checkbox"/>
Excellence in education and learning	<input type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input type="checkbox"/>
Value and enhance the life of every individual	<input type="checkbox"/>
High customer satisfaction and a stable council tax	<input checked="" type="checkbox"/>

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. Planning for the 2012/13 closedown began in November 2012.

There are a number of technical changes required under The Code of Practice in 2012/13 which will be dealt with during the preparation phase. The closure timetable and guidance for officers have now been issued and progress will continue to be monitored throughout the process.

Many of the risks associated with closure relate to the increasing call on staff time for other project work during the closedown process. These matters are discussed below.

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 (WGA) guidance includes a requirement to record such assets on a Depreciated Replacement Cost (DRC) basis in 2012/13. Guidance on the completion of the WGA return 2012/13 for Central Government is awaited. However, the IFRS code of practice remains silent on the integration of infrastructure accounting although it is expected that it will be included in 2014/15. If that is the case prior year re-statements will be required for 2012/13 and 2013/14. In order to comply with the code 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.

Initial discussions between Finance and Technical staff indicate that the valuation data held for internal management purposes does not in many cases match the

data requirements for accounting disclosure. It will in some cases require additional survey and valuation work to be carried out to provide the necessary information.

2.2. Homes in Havering

The re-integration of the Arms Length Management Organisation requires a number of additional accounting disclosures in the single entity and group accounts. However, group accounts will no longer be required for 2013/14

2.3. Oracle - I-Procurement

Implementation of Oracle, i-proc took place on 1st January. The systems closedown will need to be carried out on 31st March and cut off arrangements handled in accordance with our accounting policies. Other internal processes have been amended to reflect the introduction of this system. (e.g. creditor's closedown arrangements)

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 Act 2012 enables 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 were announced in the Government's autumn statement including the localisation of Business Rates. Staff time has since been directed 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.

2.7. One Oracle Project

At the time of preparing this report no decision had been reached on the future participation in the "One Oracle" project. The resource requirements and timescales for the project may overlap with key closure deadlines and will need to be considered at the earliest opportunity.

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 the final documentation issued in early January 2013.

Reports will be made to both Corporate Management Team and Audit Committee on both the progress and outcome for 2012/13.

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. A report has been prepared and will be discussed with PWC shortly.

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.

This control deficiency is due to an Oracle report issue which has yet to be resolved in 2012/13. The matter is still being investigated in order to resolve the matter before year end. Separate year end payroll reconciliation was produced for the purpose of the 2011/12 audit in order to satisfy year end reconciliation requirements.

c) Separation of the Pension Fund Bank Account

The Council's auditors recommended that the Pension Fund operate its own bank account in order to comply with regulation 6 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. At present the Pension Fund's banking arrangements are met by the Council and the net debtor/creditor is recorded in each set of accounts. The current cash surplus is invested by the Council on behalf of the Fund in accordance with a Service Level Agreement. As such the Pension Fund Accounts were not adversely affected by these arrangements and properly reflected the transactions relating to the Fund.

It is still intended to regularise arrangements during 2012/13 in order to pass receipts and payments relating to the Pension Fund through its own bank account. However, progress has been slow due to technical difficulties. A number of sub ledger systems need to be amended in order to recognise and post Pensions

transactions to the relevant bank account and ledger. Progress has been slow and at this stage cannot be guaranteed to be implemented by 31 March 2013.

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.

There are no apparent legal implications in noting the content of the Report.

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