

AUDIT AND RISK COMMITTEE

21 January 2014

EMERGING ISSUES FOR THE CLOSURE OF ACCOUNTS 2013/14

Report of the Director of Resources

STRATEGIC AIM:	All
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1. PURPOSE OF THE REPORT

1.1 To inform the Committee of the emerging issues that will have an impact on the production of the Statement of Accounts for 2013/14.

2. RECOMMENDATIONS

2.1 That the Committee notes the contents of this report.

3. REASONS FOR THE RECOMMENDATIONS

3.1 To ensure that the Committee is aware of plans in place to ensure effective and timely closure of accounts.

4. APPROVAL OF THE ACCOUNTS

4.1 The Statement of Accounts (SoA) must be certified by the Chief Financial Officer (i.e. the Assistant Director – Finance) by 30 June each year, for submission to the external auditor.

4.2 It is the responsibility of the Audit and Risk Committee to consider the SoA, after examination by the external auditor, and to approve it no later than 30 September each year.

5. THE CLOSURE PROCESS, EMERGING ISSUES AND KEY DATES

5.1 Senior members of the Finance Team will be attending either a CIPFA (Chartered Institute of Public Finance and Accountancy) or a KPMG final accounts workshop in early 2014 to learn about any changes required in preparing the SoA. The SoA are prepared in accordance with CIPFA's Code of Practice on Local Authority Accounting. Having reviewed the Code for 2013/14 there are no significant changes from last year. Any minor changes will be incorporated into the closedown process if appropriate.

5.2 The most noteworthy changes will be as a result of adopting the 2011 amendments to the International Accounting Standard (IAS) 19 Employee Benefits, IAS 1 Presentation of Financial Statements and a change in the way of accounting for Business Rates.

- 5.3** The change required in adopting IAS 19 is to explain that there are new classes of components of defined benefit cost to be included in the financial statements (i.e. 'net interest on the net defined benefit liability (asset)' and 'remeasurements of the net defined benefit liability (asset)' e.g. the increase or decrease in the present value of the defined benefit obligation.
- 5.4** The changes that will be required as a result of adopting IAS 1 are of a presentational nature and will require the insertion and deletion of lines within the main statements.
- 5.5** The adoption of these amendments may result in a change in accounting policy and the need to produce a restated Balance Sheet for 2012/13 where the changes brought about by the amendments to these standards are material. These will be incorporated into the Statement of Accounts if required.
- 5.6** The localisation of business rates means that the Council now collects all of its Business rates and is only required to pass over 50% to central government and 1% over to the Fire Authority. The way in which this will be accounted for is on a similar basis to the way in which Council Tax is accounted for i.e. through the Collection Fund with all eligible income being transferred to the Council's Comprehensive Income and Expenditure Statement. The officer who deals with this aspect of the closure of accounts has already attended a training course 'Accounting for the New NDR regime in Local Government – Exploring the Way Forward' and so is well prepared for the change in accounting arrangements.
- 5.7** The only other emerging issue that is noteworthy relates to a change in the way Infrastructure Assets are valued. The present historic cost-based approach to valuing Infrastructure assets does not show what impact any expenditure has on the condition of the assets. Using the Depreciated Replacement Cost (DRC) method of valuation will result in assets being valued at the current cost of replacing them with its modern equivalent less any reduction in value for its current state of repair and condition. The key principle of the change is that the same data should serve the needs of asset management, financial management, budgeting and financial reporting. CIPFA have produced the Code of Practice on Transport Infrastructure Assets to provide guidance on how the revaluation should be undertaken. The change will be introduced from 2015/16 but there will be a need to have the comparative data for 2014/15 figures. A group of officers will be meeting in early 2014 to determine what needs to be done and to draw up a timetable for doing the necessary work to ensure that the values for 2014/15 are available for when they are needed.
- 5.8** A detailed timetable for producing the Statement of Accounts for 2013/14 will be drawn up in January 2014 which will include all elements of the closure process as well as reporting deadlines. Weekly progress meetings will be held during closedown to monitor progress and to identify any problems and/or delays, and these will be escalated if necessary.

5.9 The key dates for Members to be aware of are as follows:

- Early June 2014: Q4 Financial Monitoring report presented to Cabinet;
- Mid June 2014: Audit and Risk Committee meeting – an update on the SoA process will be provided;
- 30 June 2014: certification of the draft SoA by the Chief Finance Officer for submission to the external auditor;
- Mid July 2014 (date to be confirmed): External Audit process commences
- Mid July 2014: Financial Outturn position reported to Cabinet – this is an expansion of the Q4 report including all year-end adjustments and demonstrates how the outturn position reconciles to the Income and Expenditure Account within the SoA;
- Early September 2014: Final, audited SoA presented to Audit and Risk Committee for approval, along with the Audit Commission's Annual Governance Report; and
- 30 September 2014: Audit opinion issued and SoA published.

It should be noted that these dates are based on last year's timetable. When the timetable of Council Meetings has been agreed these dates can be confirmed.

- 5.10** In addition to the formal presentation of the SoA to the Audit and Risk Committee, it is intended that a briefing session will be held in advance of the formal meeting. This was provided last year to assist members in gaining a good enough understanding of the SoA to undertake their role effectively.

6. RISK MANAGEMENT

RISK	IMPACT	COMMENTS
Time	Medium	The closedown timetable is always challenging but with preparatory work being done beforehand and close management of the whole process the key deadlines will be met.
Viability	Low	There are no direct implications within this report
Finance	High	The Statement of Accounts summarise the financial performance and position of the Authority at 31 March 2013.
Profile	Medium	Although the financial position of the Authority is high profile at the current time, there is less public interest in the Statement of Accounts.
Equality and Diversity	Low	Equality Impact Assessment completed, there are no particular issues from this report.

Background Papers

Forward Plan
Closure of Accounts Timetable 2012/13
CIPFA Code of Practice on Local Authority Accounting

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A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.