

Committee: General Purposes

Date: 26 September 2013

Agenda item:

Wards: All

Subject: Audited Final Accounts 2012/13

Lead officer: Caroline Holland, Director of Corporate Services

Lead Member: Cllr Mark Allison – Cabinet Member for Finance

Contact officer: Paul Dale: AD Resources 0208-545-3458

Key decision reference number: This report is written and any decisions taken are within the Budget and Policy Framework Procedure Rules as laid out in Part 4-C of the Constitution.

Recommendations:

1. That the General Purposes Committee approve the audited Statement of Accounts, including the Pension Fund Accounts.
 2. That the General Purposes Committee note any comments made by the Pensions Fund Advisory Panel in relation to the Annual Pension Fund Accounts 2012/13.
 3. To note Ernst & Young's Audit Results Report for the Council's Pension Fund accounts under the International Standard on Auditing 260 (ISA 260).
 4. To note Ernst & Young's Audit Results Report for the Council's main accounts under the ISA 260.
 5. That the Chair signs the Letter of Representation for the Council's 2012/13 main accounts.
 6. That the Chair signs the Letter of Representation for the Council's 2012/13 Pension Fund accounts.
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1. Purpose of report and executive summary

- 1.1 This report presents the audited Statement of Accounts for the year ended 31st March 2013 for adoption by the General Purposes Committee in accordance with the statutory requirements contained in the Accounts and Audit Regulations 2011 and the ISA 260.
- 1.2 The Council's 2012/13 final accounts, including the Pension Fund accounts, have now been audited and these audited accounts are contained in Appendix 1 to this report. A full list of any changes made to the accounts arising from the audit is detailed at Appendix 2 with supporting narrative. Appendices 3 and 4 contain Ernst & Young's Audit Results Reports on the main accounts and Pension Fund respectively, including two Letters of Representation, one for the main accounts and one for the Pension Fund.

2. Details

- 2.1 **Accounting Code of Practice:** Section 21(2) of the Local Government Act 2003 requires local authorities in the United Kingdom to keep their accounts in accordance with “proper practices”. This is defined, for the purposes of local government legislation, as meaning compliance with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom, prepared by the CIPFA/LASAAC Joint Committee. The Code specifies the principles and practices of accounting required to give a “true and fair“ view of the financial position and transactions of a local authority. In particular, it prescribes the accounting treatment and disclosures for all normal transactions of a local authority.
- 2.2 For financial years commencing on or after 1st April 2010, the Code is based upon the hierarchy of standards set out below:
- a) International Financial Reporting Standards (IFRSs)
 - b) International Public Sector Accounting Standards (IPSAs)
 - c) UK Generally Accepted Accounting Practice (UK GAAP)
- 2.3 **Accounts and Audit Regulations:** These specify the timetable for producing the Council’s accounts which is as follows:
- a) That the Council’s accounts must be ready for audit by no later than 30th June 2013 and in particular that the responsible financial officer must sign and date the accounts and certify that it presents a true and fair view of the financial position of the body at the year end and of that body’s income and expenditure for that year (Regulation 8(2)). There is no requirement for approval by committee at this stage.
 - b) That the committee of members must approve the statement of accounts by the 30th September 2013; thereafter the accounts must be signed and dated by the chairman of that committee and then published (which must include publication on the Council’s website). (Regulation 8(3) and 8(4)).
- 2.4 In addition, if there are any amendments to the accounts, the Chief Financial Officer must re-certify the presentation of the statement of accounts. CIPFA has made recommendations concerning re-certification: the Chief Financial Officer should sign and date the balance sheet (in line with SORP requirements) and include the following statement on the face of the balance sheet: “these financial statements replace the unaudited financial statements authorised at the meeting of the General Purposes Committee on 27th June 2013”.
- 2.5 **Audit of the Council’s accounts:** (a) Completion of audit work and approval of accounts: Ernst & Young have completed their audit work on the Council’s final accounts. The results of the audit are that the accounts are free from qualification although there are some errors, which have changed certain figures in the draft accounts submitted to the Council in June. The adjustments to correct these errors are contained in Appendix 2. Subject to Members being satisfied with the audited accounts, Members are requested to recommend that the Council approve the audited accounts 2012/13.

- 2.6 (b) Audit Results Reports: Ernst & Young has issued its Audit Results Reports (ARRs), under the ISA 260. The auditors are required to comply with the Auditing Standards contained under ISA 260, which covers 'Communications of Audit Matters with those charged with governance'. The auditor is required to report relevant matters relating to the audit to those charged with governance. There is one ARR for the main accounts and one for the Pension Fund accounts.
- 2.7 (c) Letters of Representation: International Standard on Auditing 580 (ISA 580), covering Management Representation, requires that the auditor be provided with written representation from management with appropriate responsibilities and knowledge of the financial statements. This applies to the main accounts and the Pension Fund Accounts.
- 2.8 ISA 260 requires that those charged with governance should sign agreement to the Letter of Representation. After the Committee has discussed and agreed the Letter of Representation, it has to be signed by the Chief Financial Officer. The Chair of the Committee is then required to sign agreement to the Letter of Representation. Copies of the letters to be signed for the main accounts and the Pension Fund accounts are included in Appendices 3 & 4.
- 2.9 **Financial Summary**: The changes to the main accounts and their impact are set out in paragraphs 2.10 to 2.12 and Tables 1 to 3.
- 2.10 Balance Sheet: Table 1 shows the adjustments to the Balance Sheet as a result of the audit. There are cross-references to Appendix 2, which contains a full breakdown with supporting narrative of the errors and necessary adjustments made to the accounts following the audit. These adjustments are also listed in Ernst & Young's Audit Results Report. The audit adjustments reduce Usable Reserves by £2.465m and Unusable Reserves by £7.457m compared to the figures reported in June. The Usable Reserves reduction is due to a correction in the accounting treatment of the PFI (partial termination) Minimum Revenue Provision, which had been incorrectly credited to Usable Reserves. The Unusable Reserves' reduction is due mainly to the cost of disposal of Bishopsford School following its conversion to Academy status.

Table 1: Change in Balance Sheet as a result of the audit

	2012/13 Draft (To June Committee) £ 000	2012/13 Audited (to Sept Committee) £ 000	2012/13 Change Between Committees £ 000	Appendix 2 Section 1 reference
Long Term Assets	472,761	461,019	(11,742)	1
Current Assets	118,057	119,375	1,318	2, 4
Current Liabilities	(60,497)	(59,995)	502	2,5
Long term Liabilities	(362,418)	(362,418)	0	
Net Assets	167,903	157,981	(9,922)	
Usable Reserves	(108,422)	(105,957)	2,465	5
Unusable Reserves	(59,481)	(52,024)	7,457	1,2,5
Total Reserves	(167,903)	(157,981)	9,922	

2.11 Fund Balances and Reserves: Table 2 contains a breakdown of revenue balances and reserves, which when the Collection Fund balance is included, stand at £83.798m.

Table 2: Reserves- changes as a result of the audit

	1 2011/12 Restated £000	2 2012/13 Draft £000	3 2012/13 Audited £000
1. Usable Reserves			
General Fund Balance	13,632	19,181	18,838
General Fund-Schools	12,005	11,674	11,674
Earmarked revenue grants and contributions	4,801	5,392	5,392
Earmarked reserves- excluding schools	29,340	36,071	35,703
Earmarked reserves- schools	6,117	8,959	7,205
Revenue reserves and balances	65,895	81,277	78,812
Unapplied capital receipts	15,199	22,752	22,752
Unapplied capital grants	3,635	4,393	4,393
Other usable reserves	18,834	27,145	27,145
Total Usable Reserves	84,729	108,422	105,957
2. Unusable Reserves			
Collection Fund	4,853	3,166	4,986
Other unusable reserves	41,573	56,315	47,038
Total Unusable Reserves	46,426	59,481	52,024
Total Reserves	131,155	167,903	157,981

- 2.12 Outturn Table 3 shows the final outturn for the year. The departmental figures are those reported to the General Purposes Committee on the 27th June 2013.

Table 3: 2012/13 Outturn and Budget Variances (following audit)

	2012/13 Current Budget £000	2012/13 Outturn £000	2012/13 Variance £000
Department			
Corporate Services	25,633	26,027	394
Children's, Schools & Families	38,501	38,690	189
Community & Housing	55,486	53,682	(1,804)
Environment & Regeneration	22,793	22,755	(38)
Recharges	(1,763)	(1,630)	133
Net Service Expenditure	140,650	139,524	(1,126)
Corporate Provisions			(4,082)
Net Underspend (addition to General Fund balances)			(5,208)

3. **Alternative Options**

- 3.1 None for the purposes of this report.

4. **Consultation undertaken or proposed**

- 4.1 Under the Audit Commission Act 1988, Sections 15 and 16, the Council is required to make available to any person, copies of the Council's accounts and information relating to them for inspection to any interested person. By prior appointment, interested persons were also able to question the auditor about the accounts from Thursday 22nd August 2013. Copies of the Council's 2012/13 accounts were made available for inspection from 25th July 2013. Advertisements were placed on the Council's website from the beginning of July 2013 and in the Wimbledon Guardian on Thursday 11th July and Thursday 18th July 2013 to make this fact known to the public or any other person interested in making such an inspection.

5. **Timetable**

- 5.1 The Statement of Accounts has been audited within statutory requirements.

6. **Finance, resource and property implications**

- 6.1 These are contained in the body of the report.

7. Legal and statutory implications

7.1 These are contained within the report, Members are referred to the Council's Constitution, and in particular the Financial Regulations, which are set out in Part 4f.

8. Human rights, equalities and community cohesion implications

8.1 None for the purposes of this report.

9. Crime and disorder implications

9.1 None for the purposes of this report.

10. Risk management and health and safety implications

10.1 None for the purposes of this report.

11. Appendices

11.1 The following documents are to be published with this report and form part of the report

- Appendix 1: Statement of Accounts for the year ended 31st March 2013.
- Appendix 2: Adjustments to the accounts following audit
- Appendix 3: Ernst & Young Audit Results Report and Letter of Representation - main accounts
- Appendix 4: Ernst & Young Audit Results Report and Letter of Representation - Pension Fund Accounts

12. Background Papers

12.1 The papers used to compile this report are held within the Corporate Services Department. Specifically, they include:-

- Statement of Accounts 2012/13
- Working papers for the accounting entries
- Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.
- CIPFA- technical bulletins