

MAIDSTONE BOROUGH COUNCIL

AUDIT COMMITTEE

12TH AUGUST 2013

REPORT OF HEAD OF FINANCE & RESOURCES

Report prepared by Paul Holland (Senior Accountant)

1. STATEMENT OF ACCOUNTS 2012/13

1.1 Issue for Decision

1.1.1 To note the Statement of Accounts 2012/13 prior to the completion of the external audit process.

1.2 Recommendation of Head of Finance & Resources

1.2.1 That the Committee notes the un-audited completed Statement that has been produced in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

1.3 Reasons for Recommendation

1.3.1 Under the amended Accounts & Audit Regulations 2011 there is no longer a requirement for the Statement of Accounts to be formally approved by Audit Committee prior to their submission for external audit. Instead the Statement has to be signed by the Director of Regeneration & Communities by 30th June, and is then subject to external audit. The audited accounts are then required to be approved by Audit Committee by 30th September.

1.3.2 However, it is considered appropriate to bring the Statement to Audit Committee at this stage as it gives Members an early opportunity to see the Statement and to ask any relevant questions of Officers.

1.4 Statement of Accounts 2012/13

1.4.1 The un-audited Statement is attached at **Appendix A**.

1.4.2 After the introduction of International Financial Reporting Standards in the 2010/11 Code of Practice there were no significant changes in the accounting requirements for 2012/13.

1.4.3 The Statement is evidence that the Council has been able to continue to effectively manage its resources through the difficult economic conditions of the last few years, and that it is in a good position to deal with the continuing economic uncertainty and associated challenges that lie ahead. The particular points that highlight this are as follows:

- The General Fund balance has increased from £10.1m to £12.6m, in line with previous decisions made by Cabinet and Council, and is a consequence of slippage in both revenue and capital spend against the budget for 2012/13.
- The potential for slippage was identified at an early stage through regular monitoring reports, which enabled Cabinet to make informed and early decisions about future resource allocation.
- There was no need to borrow during the year, either for short-term cash flow purposes, or to fund the capital programme.
- The good financial position of the Council is a reflection of the robustness and effectiveness of the budget strategy process.

1.4.4 The key messages from the Statement are as follows:

- a) There has been an increase in Long Term Liabilities of £1.8m, which is primarily due to a change in the deficit on the Pension Fund, which has increased from £46.6m to £49.0m, which is a significantly smaller increase than was the case on the 2011/12 Balance Sheet. This movement reflects the actuary's short term view on the value of the Pension Funds' assets and differs from the three yearly, long term actuarial review.
- b) Assets Held for Sale have reduced by £2.9m following the disposals of 13 Tonbridge Road and the land at Hayle Place.
- c) There has been an increase in Current Assets of £2.4m, which is a reflection of money due from central government in respect of housing benefits.

1.4.5. The Committee will note that the Statement of Accounts includes details of Related Party Transactions which, in part, are based upon returns from Members and Senior Officers. The details included are based upon returns received to date and there are no follow up actions required from 2012/13.

1.4.6. Members will recall that the external auditors made a number of specific recommendations regarding the Statement of Accounts following their audit of the 2011/12 accounts. Particular issues were identified around capital accounting and revaluations. A

specialised fixed asset register system is in the process of being implemented to replace the current spreadsheet based system. It had been hoped that this would be in place for the 2012/13 closedown process, but this was not possible in the time available, however it will be fully operational in time for the 2013/14 closedown. There has been closer contact with the valuers in respect of the valuations for 2012/13 valuations and these were delivered within the agreed deadlines.

1.4.7. In addition the Grant Thornton audit team met with the finance team earlier this year to explain how the audit will work and what their expectations were in respect of information and working papers. A list of the required working papers was subsequently supplied and has been used by the Finance team during the closedown process.

1.4.8. The audit of the accounts commenced on 8th July 2013 and the External Auditor expects to formally issue his report to Members in good time to meet the Council's statutory timetable.

1.5 Alternative Action and why not Recommended

1.5.1 There are no alternatives as the production of the Statement of Accounts is a statutory requirement.

1.6 Impact on Corporate Objectives

1.6.1 Production of a Statement of Accounts that do not contain any material or significant errors is a key element of the annual external assessment process. It is therefore important that the Statement meets this requirement.

1.7 Risk Management

1.7.1 The primary risk is that the Council fails to produce its accounts in accordance with the requirements of the Code of Practice. A risk assessment has been undertaken to mitigate this risk.

1.8 Other Implications

1.8.1

- 1. Financial
- 2. Staffing
- 3. Legal
- 4. Equality Impact Needs Assessment

X
X

- 5. Environmental/Sustainable Development
- 6. Community Safety
- 7. Human Rights Act
- 8. Procurement
- 9. Asset Management

1.8.2 Appendices

Appendix A – Draft un-audited Statement of Accounts 2012/13

Background Documents

None

IS THIS A KEY DECISION REPORT?

Yes

No

If yes, when did it first appear in the Forward Plan?

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This is a Key Decision because:

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Wards/Parishes affected:

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