

STATEMENT OF ACCOUNTS 2012/13

1. Purpose

- 1.1 To present the 2012/13 Statement of Accounts to the Audit Committee.

2. Recommendations

- 2.1 That the position on the external audit of the 2012/13 Statement of Accounts be noted.
- 2.2 That the authorisation to issue the 2012/13 Statement of Accounts be delegated to the Chair of the Committee and the Corporate Director Resources, to allow for any final adjustments required following the completion of the audit of the Whole of Government Accounts.

3. Background

- 3.1 The Accounts and Audit Regulations 2011 require the council to formally approve the Statement of Accounts by 30th September; this responsibility has been delegated to the Audit Committee.
- 3.2 The Statement of Accounts was presented to the External Auditor on 1st July 2013 and was made available to the general public throughout the statutory deposit period of 20 working days from 29th July to 23rd August. During this time, members of the public were permitted to view the document and ask questions.

4. Statement of Accounts

- 4.1 The Statement of Accounts for Milton Keynes Council has been prepared in accordance with International Financial Reporting Standards and comprises of:
- An explanatory foreword by the Corporate Director – Resources;
 - Statement of Accounting Policies;
 - Statement of Responsibilities;
 - Statement of Movement in Reserves;
 - The Comprehensive Income & Expenditure Statement;
 - The Balance Sheet;
 - The Cash-flow Statement;
 - The Notes to the Financial Statements.
- 4.2 The Statement of Accounts also includes the Housing Revenue Income and Expenditure Statement, the Collection Fund Account and following the incorporation of the MKSP and MKDP, Group Accounts.
- 4.3 The External Auditor is required to give an opinion on whether the Council's financial statements present fairly the position of the Council

as at 31st March 2013 and its income and expenditure for the year then ended.

4.4 The Accounts were completed on time for the June 2013 Audit Committee Review and Chief Financial Officer approval of the draft accounts. However, the audit of the Accounts remains ongoing with a small number of areas still to be completed. These are as follows:

- Capital Financing and Expenditure
- Reserves
- Pensions
- Whole of Government Accounts
- Receipt of a letter of representation

5. **Audit Results Report**

5.1 Attached as an Annex is the Draft Audit Results Report which sets out the position as at 5th September 2013; identifies what work is outstanding on the Whole of Government Accounts and that the auditor has not identified any key issues arising to date. It is expected that the remaining areas will be completed and the External Auditor will be able to issue their opinion, conclusion and certificate before the final deadline of 30th September.

5.2 This report should refer to matters of governance interest that have come to the auditor's attention in performing the audit. The audit is not designed to identify all matters that might be relevant to Members.

6. **Issues and Uncertainties in the Financial Statements**

6.1 The Audit Results Report identifies that there are no matters of governance interest and no key issues or uncertainties which require Member consideration. The report confirms that the Accounts have been prepared to a good standard.

6.2 The draft Accounts did not include any actuarial valuation information in respect of the MKSP contributions to the Local Government Pension Scheme. It was anticipated that the Actuary Report would be received during August, enabling the entries to be made to the Accounts. However, as at 11th September, the report had not been issued, meaning that the Statement of Accounts does not reflect the requirements of International Accounting Standard (IAS) 19 for MKSP.

6.3 Once the Actuary Report is received, the resulting entries that would have been made to the 2012/13 Accounts will be determined, and where the impact is material, the 2012/13 comparator figures will be restated in the 2013/14 Accounts.

7. **Amendments to the Draft Financial Statements**

7.1 The adjustments made to the Accounts resulting from the audit are as follows:

EGov4U Bank Balance - £160,000

7.2 The draft Accounts reflected a bank balance of £162,000 at 31st March 2013. The bank account in question is managed outside of the accounting system (SAP) due to the complexities caused by foreign currency interest rates. Therefore, any transactions which affect the balance in the account must be manually reflected in SAP. At 31st March 2013, these manual transactions had not been posted, leaving the SAP bank balance at the level reported for 31st March 2012.

7.3 The entries required to adjust the bank balance have been made to SAP, and the Statement of Accounts has now been adjusted to mirror this change. The bank balance now stands at £2,000 and the bank account will be closed during 2013/14. This adjustment has no impact on Net Worth or the General Fund Balance.

Long Term/Short Term Provisions - £210,000

7.4 Due to changes in the Code of Practice in 2011/12, it is necessary to report provisions based on the length of time that the provision is likely to be held for. To facilitate this, two new accounting codes were created to split the provisions between long term (more than 12 months) and short term (Less than 12 months).

7.5 At 31st March 2013, the Carbon Reduction Provision was mis-classified as a long term provision and has now been reclassified as a short term provision. This adjustment has no impact on Net Worth or the General Fund Balance.

New Homes Bonus Accrual - £340,000

7.6 At 31st March 2013, an amount of New Homes Bonus was outstanding and should have been accrued. This was due to a delay in receiving confirmation of the total allocation due for 2012/13.

7.7 The accrual has been made in the Statement of Accounts and steps are being taken to ensure that all grant monies due are anticipated and accounted for correctly through the introduction of additional controls within Finance. This adjustment has no impact on Net Worth or the General Fund Balance.

Rent Rebates and Rent Allowances - £1,432,000

7.8 In the draft Balance Sheet, Non-HRA Rent Rebates have been classified as Rent Allowances, thereby creating a creditor balance for

Rent Rebates, where there should have been a debtor balance. Similarly, the creditor balance for Rent Allowances is overstated.

- 7.9 The correction within the Statement of Accounts results in the removal of the creditor, and a reduction in the debtor. This adjustment has no impact on Net Worth or the General Fund Balance.

Accruals Reversed - £109,000

- 7.10 In 2009 a purchase order was raised for Pension Strain to the value of £58,000. No costs have been incurred against this order and it has been confirmed that no payment is required. Therefore the order has been closed, resulting in a credit to the General Fund Balance of £58,000.
- 7.11 When closing the accounts for both the Council and the MKSP, an accrual was made for £51,000 to reflect an adjustment that was believed to be necessary for the SAP Licence Finance Lease. Having reviewed the entries for the SAP Licence Finance Lease, it has become clear that the accrual was not required and has therefore been reversed resulting in a credit to the General Fund Balance of £51,000.

8. General Fund Balance

- 8.1 The draft Accounts presented to the Audit Committee in June reflected a General Fund Balance at 31st March 2013 of £9.648m. Following the conclusion of the audit, the balance is expected to be £9.757m in the final Statement of Accounts presented for approval, subject to issues that may arise from the remaining audit work.

9. Implications

- 9.1 Policy

None

- 9.2 Resources and Risk

None

Yes	Capital
No	IT

Yes	Revenue
Yes	Medium Term Plan

No	Accommodation
No	Asset Management

- 9.3 Legal

None

9.4 Other Implications

None

No
No

Equalities/Diversity

No
No

Sustainability

No
No

Human Rights

E-Government

Stakeholders

Crime & Disorder

Background papers: Report to the Audit Committee in June of the draft Statement of Accounts.