

**Report to:** Audit Committee  
**Date of meeting:** 26<sup>th</sup> June 2013  
**Report of:** Head of Strategic Finance  
**Title:** Draft Statement of Accounts 2012/2013

1.0 **SUMMARY**

1.1 This report includes the draft Statement of Accounts for 2012/2013.

2.0 **RECOMMENDATIONS**

2.1 That the Audit Committee considers the draft Statement of Accounts.

**Contact Officer:**

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**Report approved by:** Manny Lewis, Managing Director.

### **3.0 DETAILED PROPOSAL**

- 3.1 The Accounts and Audit (England) Regulations 2011 makes provision for the Statement of Accounts not to be presented to this Committee until they have been formally audited. Nevertheless it is considered that it would be good practice to provide the draft set of accounts.
- 3.2 It is important however that the Committee understands that there will inevitably be changes to the accounts as part of Grant Thornton's external validation. This should not be seen, however, as a criticism of the accounts process/ compilation. The statutory timetable does not require the final, **audited** accounts to be reported until September 2013.
- 3.3 The Statement of Accounts is very much a technical document which is difficult for the lay person to interpret and therefore to assist the Audit Committee this covering report will provide the main components comprising the Statement. In addition the foreword to the Statement attempts to provide contextual information, strategic outcomes and explanations of the statutory details within Statement and should be considered good practice.

### **4.0 REVENUE OUTTURN 2012 / 2013**

- 4.1 The revenue outturn is summarised within the explanatory Foreword in the table at Paragraph 9.5. Comparisons with the original budget are difficult due to a number of accounting adjustments (in order to comply with International Financial Reporting Standards). The key line therefore is the surplus/ deficit for the year and indicates a surplus of £616k. This however is a little misleading in that there was an anticipation that the Council would transfer £503k into reserves whereas at Outturn this was reduced down to £147k. The true comparative figures therefore are that it was anticipated (when setting the budget for 2012/2013 in February 2012) that there would be a net surplus at year end of £503k. In reality the Outturn realised a surplus of £469k which simplistically indicates the Council's forecasting is in good shape.
- 4.2 The Foreword at Paragraph 9.8 details the main variances that have occurred during the year (comparing Original Estimate to Outturn). Cabinet on 8<sup>th</sup> July and Budget Panel on 10<sup>th</sup> July will receive a more detailed report explaining how the outturn has been arrived at combined with various reconciliation statements.
- 4.3 The Audit Committee remit is to consider the formal Statement of Accounts and at its meeting in September greater detail can be provided. As referred to earlier, there is no requirement to report the formal accounts to this meeting of the Committee and it should be appreciated that this paper can only provide the briefest of overviews.

### **5.0 CAPITAL OUTTURN**

- 5.1 The capital outturn for 2012/2013 is referred to at Section 10 of the Foreword and is self explanatory.

## 6.0 FINANCIAL HEALTH

- 6.1 The financial health of the council can probably be simplistically judged through an examination of the change in its holding of reserves and balances. Within the draft Statement of Accounts, the Movement in Reserves Statement (Page 29) indicates revenue reserves and the general fund balance at year end was £15,125k (£14,656k 2011/2012) a £469k increase. For capital receipts, end of year was £12,246k (£12,872k, 2011/2012) a £626k reduction.
- 6.2 When this is judged against reduced funding from central government, no increase in council tax, and a general depression within the wider economy, the conclusion must be that Watford is in good shape to meet the challenges to come.

## 7.0 IMPLICATIONS

### 7.1 Financial

- 7.1.1 The Head of Strategic Finance comments that all financial implications have been included within this report and the accompanying papers.

### 7.2 Legal Issues (Monitoring Officer)

- 7.2.1 The Head of Legal and Property Services comments that the legal implications are contained in the body of the report.

### 7.3 Equalities

- 7.3.1 There are no equalities issues arising directly out of this report.

### 7.4 Potential Risks

Potential Risk	Likelihood	Impact	Overall score
That the Accounts are found to be materially misstated when audited by Grant Thornton	2	3	6
That the Accounts are not audited and signed off by Grant Thornton by 30 September 2013.	1	4	4
That a council tax payer within the area objects to items within the Accounts	1	2	2

Those risks scoring 9 or above are considered significant and will need specific attention in project management. They will also be added to the appropriate Risk Register.

### 7.5 Staffing

- 7.5.1 There are no staffing implications arising directly out of this report.

7.6 **Accommodation**

7.6.1 There are no accommodation issues arising directly out of this report.

7.7 **Community Safety**

7.7.1 No issues arising directly out of this report

7.8 **Sustainability**

7.8.1 No issues arising directly out of this report

**Appendices**

Appendix 1 Draft Statement of Accounts

**Background Papers**

- Detailed final accounts working papers.

**File Reference**

- None.