

<b>REPORT TO</b>	<b>DATE OF MEETING</b>
<b>Shared Services Joint Committee</b>	<b>23 September 2009</b>

Report template revised June 2008

<b>SUBJECT</b>	<b>PORTFOLIO</b>	<b>AUTHOR</b>	<b>ITEM</b>
<b>Audited Statement of Accounts for year ending 31 March 2009</b>		<b>Gordon Whitehead</b>	

## **SUMMARY**

At the time of writing this report the External Auditor had almost completed the audit of the Joint Committee's Statement of Accounts, and she has indicated that an unqualified audit opinion will be issued. Therefore to comply with the relevant legislation, this report has been prepared to allow the Committee to approve the audited Statement of Accounts for 2008/09, incorporating those adjustments identified during the course of the audit.

## **RECOMMENDATIONS**

That the Committee:

1. Note the contents of the Auditor's Annual Governance Report (to be published as soon as it is received).
2. Consider and approve the revised Statement of Accounts for 2008/09 (Appendix 1).
3. Authorise the Chief Finance Officer to sign the letter of management representation as set out in the Auditor's Annual Governance Report.

## **BACKGROUND**

The unaudited Statement of Accounts was reported to this Committee on June 22 2009. This complied with the requirement of the Accounts and Audit Regulations 2003 that they be approved by a deadline of 30 June.

The same regulations also require publication of the audited accounts by 30 September 2009. To comply with this requirement the audited Statement of Accounts is now presented for approval.

At the time of drafting this report formal publication of the External Audit Annual Governance Report is still awaited. This will be made available to the Committee and public as soon as it is received. This report will set out matters arising from the annual audit of accounts which the External Auditor is obliged to report to "those charged with governance" of the Committee. It will also contain a commentary on the Committee's internal control arrangements and also arrangements for securing value for money. The External Auditor will attend in person to present her findings.

## DETAIL

### Changes in the Statement of Accounts

The Statement of Accounts now presented includes some presentational changes and also some changes in the figures reported in June. Because they exceed the materiality level (1% of gross expenditure or £3,990) the latter will be reported on by the Auditor. These changes are as follows:

- a) Overheads  
The accounts now submitted include £67k in respect of support services (such as IT, HR and legal support etc.) provided by the two Councils to Shared Services. These costs were not included in the June report. The reason for this was that in order to concentrate attention on the “real” costs of the new Shared Service structure, the Shared Services budgets excluded these recharges. The cost of support services did not change as a result of the creation of the new organisation and any allocation to Shared Services was merely a redistribution of cost and did not affect the bottom line Council costs. The accounts produced in June followed that pattern and only included the specific “new” expenditure arising directly from the new organisation. Accounting standards require inclusion of relevant overheads and thus the Statement has been amended.
- b) Superannuation FRS17 adjustment FRS17 is the accounting standard specifying how pension costs should be treated in the accounts of organisations. The accounts now submitted include the required adjustments to expenditure. These adjustments have not affected the split of costs between the two Councils.
- c) The accounts submitted in June had overstated the costs of assurance. This has now been corrected.
- d) The effect of these changes is that the charges from Shared Services to the two Councils is now – Chorley £249,607 and South Ribble £198,620, compared to the figures reported in June Chorley £207,353 and South Ribble £191,857. It must be stressed that these large increases are attributable to the inclusion of the overhead charge. If this is excluded there has been only a slight reduction in Chorley’s charge and a small increase in that of South Ribble.

The accounts have not been adjusted for “trivial” items identified by the External Auditor.

### Other matter raised by the External Auditor

The External Auditor has also commented on the fact that, contrary to the written agreement governing the partnership, costs have not been split equally between the two Councils.

The spirit of the new organisation was that costs should be shared equally, and this principle is embodied in the written agreement. In practice however, in three areas, to have done this would have resulted in a transfer of “real” cost from one Council to the other. The three areas are:

- e) Audit – the historic cost structure of the two Councils differed slightly. It was found that a 54% (Chorley) and 46% (South Ribble) allocation reflected the service provided to both Councils.
- f) Exchequer Services - the new organisation dealt with Chorley’s debtors whereas in South Ribble this work was dealt with outside Shared Services. This difference in service was dealt with by an adjustment in the split of cost.
- g) Overheads – as per (a) above the two Councils have allocated £67k to the new organisation, £17k from South Ribble and £50k from Chorley. The apportionment of these costs, for the three months January to March 2009, has been based upon the existing methodologies of

the two Councils and in effect reflects an arbitrary split of costs rather than a totally accurate assessment of the overheads absorbed. For this reason each Council in 2008/09 has absorbed its own overhead allocation, with an understanding that bases will be reviewed in 2009/10. The key fact remains that no additional overhead has been incurred by either council as a result of the creation of the new organisation.

## **CONCLUSION**

Approval of these accounts will enable their publication before the specified date