

REPORT TO	ON
Shared Services Joint Committee	14 <sup>th</sup> September 2017

Jan 2017



TITLE	AUTHOR	Agenda item No.
Financial and Assurance Shared Services Annual Accounts 2016/17	Susan Guinness	

## 1. PURPOSE OF THE REPORT

This report contains the Accounting Statements and associated Governance and Internal Audit Statements for the year ended 31<sup>st</sup> March 2017 in preparation for the “light touch” audit inspection to be undertaken and reported to Joint Committee on 13<sup>th</sup> September 2017.

## 2. RECOMMENDATIONS

That members approve the 2016/17 Accounting Statements below.

## 3. EXECUTIVE SUMMARY

The outturn position for Financial and Assurance Shared Services is £1.534 million which represents an under spend of £0.042 million against the partnership budget.

## 4. CORPORATE PRIORITIES

The report relates to the following corporate priorities:

Clean, green and safe		Strong and healthy communities	
Strong South Ribble in the heart of prosperous Lancashire		Efficient, effective and exceptional council	x

## 5. BACKGROUND TO THE REPORT

Members of the South Ribble and Chorley Councils Joint Committee previously approved the use of the Accounting Statements below as a means to providing transparency and inspection to its financial arrangements. It was also agreed that the light touch inspection will be undertaken by the Internal Audit Team within Shared Assurance Services as part of their future Internal Audit Plans.

This approach was successfully used for the 2015-16 Shared Services accounts.

The statements below are based on actual expenditure incurred against cash budgets only, they do not include central overhead recharges.

## 6. Accounting Statements for 2016/17

### 6.1 Budget Out-Turn Statement

Description	Budget £	Outturn £	Variation £	Explanation
Employee Costs	1,413,000	1,375,371	37,629	Underspend brought about by staff vacancies
Transport	11,000	9,280	1,720	On budget
Supplies & Services *	80,000	81,756	(1,756)	On budget
LCC Audit Budget	10,000	8,060	1,940	On budget
Financial Management Information System	62,000	60,776	1,224	On budget
Income	0	(868)	868	On budget
<b>TOTAL</b>	<b>1,576,000</b>	<b>1,534,377</b>	<b>41,623</b>	
<b>Funded By:</b>				
Chorley Borough Council		733,916		
South Ribble Borough Council		800,461		
<b>Total Funding</b>		<b>1,534,377</b>		

\* Budget and actuals include carry forward from 2015-16 (£10k) and transfer from reserves (£20k).

The difference in the charges between Chorley Council and South Ribble Council are attributable to the following:

- The structure within the Management Accounting Teams;
- Secondment of the Head of Shared Financial Services to the section 151 role at SRBC;
- Pension contribution rates (as determined by the pension fund actuary);
- Financial Management Information System historic cost agreements

Of the under spend of £42k there will be a carry forward request of £37k for completion of key Business Improvement Plan projects. This will leave a £5k under spend for the financial year 2016-17.

## 6.2 Out-turn Allocation Statement

Description	TOTAL OUT-TURN £	SRBC OUT- TURN £	CBC OUT- TURN £	Explanation
Employee Costs	1,375,371	721,733	653,639	(1) The structure of the Management Accountancy Teams vary at each council. (2) Different pension Contribution and Deficit Recovery Rates (3) Secondment of Head of Shared Financial Services to Section 151 post at SRBC
Transport	9,280	4,730	4,551	
Supplies & Services	81,756	41,902	39,855	There are some differences in processes, e.g. company checks (1) Cost of cheques for SRBC (SRBC are now virtually cheque free) (2) Cost of professional advice at each council, e.g. legal fees, consultancy fees and company checks
LCC Audit Budget	8,060	4,030	4,030	
Financial Management Information System	60,776	28,488	32,289	(1) SFS are responsible for managing ICON (income management system) at CBC. This is delivered via Revenues Plus at SRBC. (2) An adjustment is also made to take account of historic FMIS price agreements that have been rolled forward.
Income	(868)	(421)	(447)	Income from Civica User Group for arranging user group meetings
<b>TOTAL</b>	<b>1,534,377</b>	<b>800,461</b>	<b>733,916</b>	

### 6.3 Annual Governance Statement 2016-17

We acknowledge that as members of *CHORLEY AND SOUTH RIBBLE SHARED SERVICES JOINT COMMITTEE* our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, that to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31<sup>st</sup> March 2017, that:

	Agreed		'Yes' Means that the body:
	Yes	No *	
We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	Yes		Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge. We took all reasonable steps to assure ourselves that there are no matters of actual or potential noncompliance with laws, regulations and proper practices that could have a significant effect on the ability of the body to conduct its business or on its finances.	Yes		Has only done what it has the legal power to do and has complied with proper practices in doing so.
We provided proper opportunity during the year for the exercise of elector's rights in accordance with the requirements of the Accounts and Audit Regulations.	Yes		During the year has given all persons interested the opportunity to inspect and ask questions about the body's accounts.
We carried out an assessment of the risks facing the body and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	Yes		Considered the financial and other risks it faces and has dealt with them properly.
We maintained throughout the year an adequate and effective system of internal audit of the body's accounting records and control systems.	Yes		Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of the body.
We took appropriate action on all matters raised in audit reports.	Yes		Responded to matters brought to its attention.
We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the body and where appropriate have included them in the accounting statements.	Yes		Disclosed everything it should have about its business activity during the year including events taking place after the year-end if relevant.

\* Note: Please provide explanations to the auditor on a separate sheet for each 'No' response. Describe how the council will address the weaknesses identified.

## 6.4 Annual Internal Audit Report 2016/17

### **CHORLEY AND SOUTH RIBBLE SHARED SERVICES JOINT COMMITTEE**


The body's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2017.

Internal audit has been carried out in accordance with the body's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the body.

Internal Control Objective	Agreed? Please choose one of the following		
	Yes	No *	Not Covered **
A. Appropriate accounting records have been kept properly throughout the year.	Yes		
B. The Body's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.			Not applicable
C. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	Yes		
D. The annual taxation or levy or funding requirement resulted from an adequacy budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	Yes		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT appropriately accounted for.	Yes		
F. Petty cash payments were properly supported by receipts, all expenditure was approved and VAT appropriately accounted for.			Not applicable
G. Salaries to employees and allowances to members were paid in accordance with body approvals, and PAYE and NI requirements were properly applied.	Yes		
H. Assets and investments registers were complete and accurate and properly maintained.			Not applicable
I. Periodic and year-end bank account reconciliations were properly carried out.			Not applicable
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, were supported by an adequate audit trail from underlying records, and, where appropriate, debtors and creditors were properly recorded.	Yes		

For any other risk areas identified by the body (list any other risk areas below or on separate sheets if needed) adequate controls existed:

Name of person who carried out the internal audit: Garry Barclay, Head of Shared Assurance

Signature of person who carried out the internal audit:  Date: 6/9/17

\*Note: If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, internal audit must explain why not (add separate sheets if needed).

## 7. WIDER IMPLICATIONS AND BACKGROUND DOCUMENTATION

<b>FINANCIAL</b>	The financial implications arising from this report, that is, the recharge of the service to each Council has been accommodated in each Councils' approved budget report for 2016/17.
<b>LEGAL</b>	The revised audit approach covered by this report demonstrates the Joint Committee's compliance with the Local Audit & Accountability Act 2014.

### 7.1 Comments of the Statutory Finance Officer

The detailed accounting transactions are contained within each Council's general ledger and are therefore subject to external audit inspection as part of the closure of accounts process. This includes the performance against the Shared Services budget within each Councils' budget and Medium Term Financial Strategy. As the statements above are held within each Councils' accounting systems, Shared Services has no separate bank account and does not hold any reserves.

### 7.2 Comments of the Monitoring Officer

Similarly to the accounts the Corporate Governance arrangements of the service will also be incorporated within each Councils' Annual Governance Statement.

<p><b>Other implications:</b></p> <ul style="list-style-type: none"> <li>• <b>Risk</b></li> <li>• <b>Equality</b></li> <li>• <b>HR</b></li> </ul>	<p>There are no risks associated with this report as the Joint Committee's financial accounts are included within each Council's Statement of Accounts and are therefore audited as part of each Council's external audit processes.</p> <p>None</p> <p>None</p>
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8. There are no background papers to this report.