

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

Jan 2017



TITLE	AUTHOR	Agenda item No.
Internal Audit of the Financial & Assurance Shared Services Annual Accounts 2016/17	Head Of Shared Assurance Services	

## 1. PURPOSE OF THE REPORT

1.1 This report contains the results of a “light touch” audit inspection by Internal Audit of the Financial & Assurance Shared Services annual accounts for 2016/17.

**The Shared Services Partnership is a high corporate priority for both Councils.**

## 2. RECOMMENDATIONS

2.1 That the report be noted

## 3. CORPORATE PRIORITIES

3.1 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	x	Efficient, effective and exceptional council	x

## 4. BACKGROUND TO THE REPORT

4.1 The implementation of the Local Audit & Accountability Act 2014 brought with it changes to the external audit arrangements of joint committees by removing the requirement for a formal external audit and permitted other options.

4.2 Therefore commencing with the 2015/16 accounts members approved that a “light touch” internal inspection should take place to provide the Joint Committee with assurance in respect of the integrity of the partnership’s year-end financial statements and that this would be undertaken by the Internal Audit Team within Shared Assurance Services as part of their future Internal Audit Plans.

4.3 Given that the host authorities are individually subject to extensive external and internal audit processes, the main purpose of the Joint Committee’s light touch inspection is to ensure that the financial data contained within its accounts has been correctly extracted from those of the host authorities.

4.4 The opportunity was also taken to include additional checks on the calculation and apportionment of costs (both budgeted and out-turn) between the 2 host authorities to ensure that they are in accordance with the agreed bases.

## 5. SHARED SERVICES ANNUAL STATEMENT 2016/17

5.1 On the basis of Internal Audit's review, in our opinion the information in the Accounting Statements is in accordance with proper practices and no matters have come to our attention giving cause for concern. Shared Service partnership charges have been raised and apportioned appropriately.

5.2 A summary of the results of the work undertaken by Internal Audit are reported below:

- A reconciliation of charges reported on the 2016/17 Joint Committee annual statement and in the corresponding financial records was undertaken satisfactorily. All variances are fully explained.
- Shared Service charges are raised as per the 50/50 agreed split in costs as recorded in the Shared Services Administrative Collaboration Agreement dated 23/12/08. However, the management accountancy employee costs are historically charged to reflect the different structures at each Council.
- Pension costs are also recharged on an actual basis as opposed to a straight 50/50 split to reflect the particular pension contributions and deficit recovery rates applicable to each Council. This is to prevent either Council in effect subsidising the financial impact of past decisions made.
- Clear and concise recording of charges raised for each individual Council is undertaken and explanations for the allocation of each liability is recorded in the financial records. Shared Service charges have been allocated appropriately.
- Individual costs incurred for an item or service that is used solely for one Council are recharged as appropriate.
- The charges payable by each Council have been raised appropriately on Authority Web.
- The Shared Services partnership's gross expenditure of £1.53m was reported accurately in the 2016/17 Statement of Accounts

## 6. WIDER IMPLICATIONS AND BACKGROUND DOCUMENTATION

<b>FINANCIAL</b>	There are no financial implications arising from this report.
<b>LEGAL</b>	The revised audit approach covered by this report demonstrates the Joint Committee's compliance with the Local Audit & Accountability Act 2014.
<b>RISK</b>	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.
<b>OTHER IMPLICATIONS (see below)</b>	

<i>Asset Management</i>	<i>Corporate Plans and Policies</i>	<i>Crime and Disorder</i>	<i>Efficiency Savings/Value for Money</i>
<i>Equality, Diversity and Community Cohesion</i>	<i>Freedom of Information/ Data Protection</i>	<i>Health and Safety</i>	<i>Health Inequalities</i>
<i>Human Rights Act 1998</i>	<i>Implementing Electronic Government</i>	<i>Staffing, Training and Development</i>	<i>Sustainability</i>

## **7. BACKGROUND DOCUMENTS**

Local Audit & Accountability Act 2014

## Section 1 – Accounting Statements for 2016/17

## 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>		

## 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	(1) There are some differences in processes, e.g. company checks (2) Cost of cheques for SRBC (3) 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)	
<b>TOTAL</b>	<b>1,534,377</b>	<b>800,461</b>	<b>733,916</b>	