

| <b>REPORT TO</b>                | <b>DATE OF MEETING</b>        |
|---------------------------------|-------------------------------|
| Shared Services Joint Committee | 26 <sup>th</sup> January 2015 |



| <b>SUBJECT</b>                                                         | <b>PORTFOLIO</b> | <b>AUTHOR</b> | <b>ITEM</b> |
|------------------------------------------------------------------------|------------------|---------------|-------------|
| Audited Chorley and South Ribble Joint Committee Annual Return 2013/14 | N/A              | Hanne Harland |             |

## SUMMARY AND LINK TO CORPORATE PRIORITIES

This report presents the audited Chorley and South Ribble Shared Services Joint Committee audited Annual Return for the year ended 31<sup>st</sup> March 2014.

The Shared Services Partnership is a high corporate priority for both Councils and makes a direct and significant contribution to the following corporate strategic objectives:-

“Chorley is an ambitious council that does more to meet the needs of residents and the local area.”

“South Ribble will deliver value for money in all aspects of the council’s work, through challenging processes, supporting our employees and delivering exceptional customer service.”

## RECOMMENDATIONS

That:

1. **Members note the contents of the report and comment as appropriate.**
2. **Members approve the decision that no voluntary external audit of the Joint Committee account is required for the period 2015/16 outside of the Local Audit and Accountability Act 2014.**
3. **Members approve the decision to undertake a light touch internal audit inspection to provide the joint committee with assurance in respect of the integrity of the partnership’s year-end financial statement.**

## DETAILS AND REASONING

### The External Auditor’s Certificate and Opinion

The External Auditor’s Certificate and Opinion 2013/14 and the External Auditor Report are attached on page 4 of **Appendix One**. They confirm that the audit has been completed and that in their opinion the annual return is in accordance with proper practices.

### The External Audit Inspection and Queries Received

The Annual Return for 2013/14 was presented for Joint Committee approval in June prior to it being submitted to the external auditor, BDO LLP, by the deadline date of 21<sup>st</sup> July 2014. The signed return and all the associated background documents and reconciliation files were sent on 15<sup>th</sup> July 2014. The External auditor’s completed certificate and opinion 2013/14 was received back in Shared Financial Services on 5<sup>th</sup> November 2014. The cost of the external audit was £2,030.

The audit carried out was done in more detail on this occasion than in previous years as Chorley and South Ribble Shared Services Joint Committee was selected for an Intermediate Audit Questionnaire. As a result BDO requested that evidence of the following was provided:-

1. Confirmation of an independent and competent internal auditor appointment.
2. Bank statements or bank balance certificate.
3. That Joint Committee had considered reports by the internal auditor in respect of the Partnerships financial arrangements.
4. A specific committee minute confirming that the Joint Committee had adopted the Risk Assessment contained within the Business Improvement Plan.

Evidence was provided for point 1 with the assistance of Grant Thornton (the appointed external auditor for both Chorley and South Ribble Councils). A bank balance certificate was provided for point 2. In respect of point 3 it was highlighted to BDO LLP that no internal audit report had been submitted to the Joint Committee due to the fact that the partnership has no assets or a bank account, as per the Annual Return, and therefore internal audit scrutiny is not required. Point 4 could not be verified and therefore appears under the Matter Raised by the External Auditor section to draw items to the attention of Chorley and South Ribble Shared Services Joint Committee.

### **Matters Arising from the External Audit**

The following matters have been raised by the external auditor for the Joint Committee's attention:-

- ⊕ **Risk Assessment not evidenced** – The body has confirmed that they have undertaken a risk assessment in the year. The body did not provide evidence they had resolved to adopt the assessment in the year. The body could be criticised of not complying with the Accounts and Audit (England) Regulations 2011. The body must ensure in future years that when the risk assessment is discussed it is adopted and minuted and evidence supplied in next year's audit.
- ⊕ **Bank Account** – The entry in the relevant box (box 8 page 2) on the annual return does not represent cash held and therefore the body is not overdrawn. The body should ensure in future years that it does not show a balance in this box on the Annual Return.

The point above regarding the Risk assessment has been addressed within the Business Improvement Plan (BIP) Report for 2015/16 on this agenda as a recommendation has been specifically inserted to address this matter for 2015/16. The 2014/15 BIP Risk Assessment has been incorporated into the Performance Report, also on this agenda, to provide specific evidence of its formal adoption in preparation for the 2014/15 external audit.

The recommendation in respect of the bank account is vague with regard to how this should be achieved and no guidance has been supplied by BDO LLP. The return has been completed in the same way for the previous years so it is not clear at this stage why this particular year has caused a problem. The solution maybe to simply insert a nil entry, however, the options will be sent to BDO LLP in advance of the return being submitted in June to establish their preferred approach.

### **External Audit Requirements in Future Years**

Notification was received in December 2014 from the Department for Communities and Local Government (DCLG) that the implementation of the Local Audit and Accountability Act 2014 brings with it changes to the audit requirements of joint committees. From 1<sup>st</sup> April 2015 joint committees will no longer be required to have their accounts separately prepared and audited. This approach follows consultation with the local government and accounting sector and means that the final mandatory audit for such bodies will cover the 2014/15 financial period.

The notification confirms that DCLG will consider with the sector what guidance might be provided to authorities on the audit of joint committees within the context of wider guidance on auditor appointment in general. DCLG also state that they intend to publish the guidance in good time to support the first auditor appointments undertaken by local authorities under the provisions of the 2014 Act.

Please note that the DCLG letter received does point out that Authorities are free to continue with a separate audit of their joint committee if they so choose, however, this will not be an audit carried out under the 2014 Act. As the following applies it is concluded that an appropriate level of audit scrutiny already takes place within the existing governance and audit arrangements for both councils. It is therefore recommended that no external audit is carried out for 2015/16 outside of the 2014 Act and the budgeted cost of £2,000 is taken as budget efficiency saving in 2016/17 if no replacement mandatory external audit is required. It is recommended that the assurance provided by the external audit is substituted by a light touch internal audit being undertaken on the partnership's year-end financial statement.

- ⌚ The Joint Committee's financial records, systems and processes are subject to internal and external audit scrutiny with the existing audit and governance arrangements for Chorley and South Ribble Councils.
- ⌚ Chorley and South Ribble Shared Services Joint committee does not own any assets or have a separate bank account.

## WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of the external auditor's comments in respect of the Shared Services Annual Return and the table below shows any implications in respect of each of the following areas:-

|                                                   |                                                                                                                                                                                                                                                                                                                                                                                             |                                           |                                           |
|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| <b>FINANCIAL</b>                                  | The changes to the audit requirements for Joint Committees will save the partnership £2,000 per annum on a recurring basis with effect from 2015/16.                                                                                                                                                                                                                                        |                                           |                                           |
| <b>LEGAL</b>                                      | From 1 <sup>st</sup> April 2015 implementation of the Local Audit and Accountability Act 2014 will mean that joint committees will no longer be required to have their accounts separately prepared and audited. This approach follows consultation with the local government and accounting sector and means that the final mandatory audit for such bodies will cover the period 2014/15. |                                           |                                           |
| <b>RISK</b>                                       | There are no risks anticipated as a result of the contents of this report as the Joint Committee's financial accounts are included within each council's Statement of Accounts (SOAs) and therefore audited as part of the SOAs external audit processes.                                                                                                                                   |                                           |                                           |
| <b>THE IMPACT ON EQUALITY</b>                     | There is no impact on equality as a result of the contents of this report.                                                                                                                                                                                                                                                                                                                  |                                           |                                           |
| <b>OTHER (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>                     |

## BACKGROUND DOCUMENTS

Partnership Business Improvement Plan 2013/14.