Agenda Item No: 3

LOCAL GOVERNMENT SHARED SERVICES JOINT COMMITTEE: MINUTES

Date: Thursday, 20th January 2017

Time: 2.00pm – 2.35pm

Place: Wyboston Lakes Training & Conference Centre, Wyboston

Present: Cambridgeshire County Council (CCC): Councillors Roger Hickford, Noel Kavanagh and Ian Manning

Milton Keynes Council (MKC): Councillors, Keith McLean and Robert Middleton (Vice-Chairman)

Northamptonshire County Council (NCC): Councillor Robin Brown (Chairman) and G Lawman (Substituting for Councillor Bill Parker).

Others in attendance:
Mark Ashton (LGSS Director of Business Services, Systems and Change) Matt Bowmer (LGSS Director of Finance), Andrew Cardoza (KPMG), Martin Cox (LGSS HR Director), Ian Farrar (LGSS Director of IT Services), Tim Hannam (Representing Corporate Director of Resources Milton Keynes) Iain Jenkins (LGSS Group Accountant|) John Kane (LGSS Managing Director), Jon Lee (Head of Integrated Finance Service, Northamptonshire County Council), Chris Malyon (LGSS Chief Finance Officer, Cambridgeshire County Council), Harry Organ (KPMG) Rob Sanderson (Democratic Services Officer)

Apologies: Councillors Ric Brackenbury and Bill Parker (Substitute Councillor Graham Lawman).

131/17 DECLARATIONS OF INTEREST

None.

132/17 MINUTES – 17TH NOVEMBER 2016

The minutes of the meeting held on 17th November 2016 were agreed as a correct record and signed by the Chairman.

133/17 LGSS STATEMENT OF ACCOUNTS AND LGSS ISA 260

The Joint Committee received a report presenting both the final 2014-15 LGSS Statement of Accounts (Appendix 1 to the cover report) for approval (subject to the conclusion of the public objection) and the final 2015-16 LGSS Statement of Accounts (Appendix 2) also for approval.

It was explained that to date no changes had been required to the 2014-15 LGSS Statement of Accounts as a result of the objection received. Section 4 of the cover report provided details of the changes between the draft and final 2015-16 LGSS Statement of Accounts.

The external auditor's (KPMG) ISA 260 report was included from pages 111 to 136 of the main despatch and was taken at the same time as the main Accounts report. The report explained that the expectation was that KPMG would be able to give an unqualified opinion on the 2015/16 accounts subject to;

1. The audit review of the consolidation of LGSS Law Limited (there was a separate, late, circulated report from KPMG - item 5 on the agenda - on LGSS Law Limited)

2. Conclusion of the work in relation to the objection to the 2014/15 financial statements and

3. The receipt of a signed management representation letter.

Section two of KPMG's report summarised the 2015-16 headline messages with section three providing details on the financial statements and the detailed findings with regard to significant audit risks. The 2015-16 audit had identified a total of two audit adjustments. The key issues and recommendations were set out in appendix 1, along with the follow up of prior year recommendations.

The Committee's attention drawn to the recommendation in respect of LGSS Financial systems and the need as LGSS continued to grow to implement a structure / system with processes more appropriate to its size. The intention was that this review would be completed by June 2017 for implementation by 2017-18 with an aim of making the accounts more straightforward.

Appendix 2 of KPMG's report set out the Audit differences and the materiality and reporting of audit differences along with the declaration of independence and objectivity.

KPMG had also undertaken a separate audit of the Accounts produced by LGSS Law which has been completed and signed off in December and was included as a second, late despatch. The final LGSS accounts for 2015-16 consolidated the figures for LGSS Law into the group accounts. This has resulted in changes to the debtors, creditors, cash, and non-current liability figures and took into account the confirmation of the pensions treatment for LGSS Law.

With regard to the objection received from a member of the public on the 2014-15 LGSS Statement of Accounts, the report set out the formal process required to be followed, which was overseen by Public Sector Audit Appointments (PSAA). The objector had challenged the method of preparation of the accounts, the judgements that had been made, and the accounting treatments in respect of income, expenditure, VAT and cash. Until the objection had been fully concluded, it was not possible for the Accounts to be signed off. The Joint Committee was reminded that at its meeting on 10th September 2015 it had delegated the authority to approve the 2014-15 accounts to the Director of Finance and the Chair of the Joint Committee, subject to no material changes being required to the document. The Joint Committee was recommended to maintain this delegation. If any material changes did result from the objection, then a report would need to come back to a future meeting to agree the revised Accounts being signed off.

It was explained that following the submission of the objection, KPMG had undertaken further audit testing with officers providing additional information on the points raised. KPMG then issued their response to the objector, outlining their preliminary findings which had made clear that their review had found no grounds to issue a public interest report. The objector then had 30 days to respond, during which time a further letter with additional queries had been submitted. Officers provided additional information to KPMG on the further points raised, with the current position being that it was proceeding through KPMG's internal review process and would then be reviewed by the PSAA. Once this process had been completed, KPMG would issue a final response to the objector outlining their findings.

There was a request for details of the estimated costs of the objection in both staff time and from the additional external auditors' fees charged. In response, Andy Cardoza, Director KPMG indicated that their additional fees already billed amounted to £33k with an additional £15k to be the subject of discussions with the Director of Finance, Matt Bowmer. In terms of additional LGSS staff time, due to the complexities of the issues raised, an estimate figure of between £60-80k was provided as an equivalent monetary value. It was highlighted that this had to be seen as the cost of democracy resulting from the right of individual ratepayers to challenge the Accounts.

Regarding the disproportionate amount of resources expended, questions were raised on whether the investigation could have been carried out more cheaply if different processes had been used, or whether changes were required to the appropriate regulations to discourage potentially costly objections. In response officers indicated that they were duty bound to follow the formal process as laid down. It was clarified that following the introduction of Accounts and Audit Regulations 2015 the public objection period only applied to the statutory accounts (i.e. the County Council accounts) and this had reduced the objection period to thirty days, compared to the previous regime which allowed objections to be lodged at any-time between the submission of the draft accounts and their sign off.

It was resolved to:

1. Note the progress in relation to the public objection on the 2014/15 LGSS statement of accounts following KPMG's investigations.

2. Maintain the delegation of authority to approve the 2014/15 LGSS Statement of Accounts to the Chair of the Joint Committee and Director of Finance subject to there being no material changes required upon the conclusion of the public objection.

3. Delegate authority to approve the 2015/16 LGSS Statement of Accounts and Annual Governance Statement to the Chair of the Joint Committee and

Director of Finance the subject to there being no material changes required to the Accounts.

4. Note the ISA 260.

134/17 LGSS LAW ISA 260

The Chairman had agreed to take the report as an urgent, late item as it had not been received five clear days before the meeting and needed to be considered as part of the overall Accounts report. The Chairman asked that Members should be taken through the report separately due to the short notice given.

KPMG confirmed that they had issued an unqualified audit opinion on LGSS Law Limited's financial statements on 14th December. The audit had identified one significant audit adjustment to recognise the Local Government Pension Scheme obligation and the corresponding reimbursement asset with the impact of the adjustment detailed on page 6, Section two of their report. In response to a Member question it was clarified that there was no opposite entry required to be shown on the County Council accounts.

The report identified the following key financial statement audit risks in their 2015-16 External audit Plan issued in August 2016 in addition to the risks required by professional standards:

- Completeness of income
- First year accounting period.

The Auditors had worked throughout the year to discuss the key risks and their detailed findings were reported in Section 3 of the report. No matters of significance had arisen as a result of the audit work undertaken in these two key risk areas. Recommendations for improvements were set out in Appendix 1 with recognition that this was the first year of the Company's accounts.

It was resolved:

to note the External Audit LGSS Law ISA 260 report.

Chairman