

LGSS Annual Report and Statement of Accounts

To: LGSS Joint Committee

Date: 24 November 2017

From: LGSS Finance

Purpose: To present the Joint Committee with the final 2016-17 LGSS Annual Report and Statement of Accounts for approval.

Recommendation: That the Joint Committee approves the 2016-17 LGSS Annual Report and Statement of Accounts.

1. Background

- 1.1 LGSS produces an Annual Report which includes the annual Statement of Accounts for LGSS (the Statement). The LGSS accounts are therefore produced in addition to the statutory accounts of each partner authority. The LGSS accounts encompass LGSS income and expenditure from within each of the host authorities. Whilst the single entity accounts of each council include the proportion of LGSS attributable to each authority, the LGSS Statement shows the combined position across all of the LGSS operational budgets (in other words excluding the managed budgets that LGSS manages on behalf of the host authorities).
- 1.2 The LGSS Statement presented as an appendix to this report covers the period up to 31 March 2017 and for the first time includes Milton Keynes Council, which became an LGSS shareholder authority on 1 April 2016.
- 1.3 From 1 April 2015, the implementation of the Local Audit and Accountability Act 2014 has meant that joint committees are no longer required to have their accounts separately prepared and audited. Consequently, for the 2015-16 financial year and onwards, production of formal accounts by LGSS is no longer statutorily required. However LGSS has decided to continue to produce accounts as it is committed to accountability and transparency. As these are not statutory accounts they sit outside of the requirements of the Accounts and Audit Regulations 2015, and therefore there is no statutory deadline for publication.
- 1.4 The relevant sections of the founding authority constitutions delegate responsibility to the LGSS Joint Committee for the approval of the LGSS Annual Report, which includes the Statement of Accounts.

2. Audit of the 2016-17 LGSS Statement

- 2.1 The LGSS Statement is externally audited by independent auditors. KPMG have been appointed to undertake this work. This audit has now been completed and KPMG's audit findings are set out in their report to those charged with governance (the Joint Committee). This is known as the ISA260 report.
- 2.2 As per the update provided to the Joint Committee on 28 September 2017, the audit fieldwork on the 2016-17 accounts by KPMG was in progress. The audit did start later than originally timetabled as the audit of the partner authorities' accounts had to take precedence due to their statutory deadline of 30 September 2017. This did require continued officer time and it was therefore agreed with KPMG that the start of the LGSS audit be deferred until the audit of the partner's accounts had been completed and officers were in a position to provide KPMG with all of the required working papers for the audit.
- 2.3 The audit of the 2016-17 Statement has now been concluded with KPMG due to present their audit findings to the Joint Committee. The final 2016-17 Statement is presented to the Joint Committee as part of the LGSS Annual Report in Appendix 1. The Statement does incorporate a number of changes from the draft Annual report, which are set out in Section 3.

3. Changes between the draft and final Statement of Accounts

- 3.1 As part of the final Statement a number of audit adjustments and other changes have been made, which can be summarised as follows:
 - a) **Branding.** The branding/design of the document has been updated to incorporate the latest LGSS branding and colour scheme;
 - b) **Comprehensive Income and Expenditure Statement (CIES).** The format/layout of this core statement has been amended to more fully comply with the requirements of the CIPFA Code of Practice and with LGSS Accounting Policies. Whilst this has seen a movement in the income and expenditure figures, it has had no impact on the net position (a £331k deficit), which remains the same as those included within the draft accounts;
 - c) **Trading Account Note.** An additional note to the accounts has been included in order to help provide the reader of the accounts with further information relating to the trading accounts line in the CIES; and
 - d) **Transactions with Related Parties.** This disclosure has been expanded to show the value and nature of intercompany transactions between LGSS and LGSS Law Ltd.

4. Recommendations

- 4.1 The Joint Committee is recommended to approve the LGSS Annual Report 2016-17, including the Statement of Accounts and Annual Governance Statement.

Appendices

Appendix 1 – LGSS Annual Report 2016-17