

**LGSS DRAFT STATEMENT OF ACCOUNTS 2014-15**

*To:* **Audit and Accounts Committee**

*Date:* **22<sup>th</sup> September 2015**

*From:* **LGSS Director of Finance**

*Electoral division(s):* **All**

*Forward Plan ref:* **N/a** *Key decision:* **No**

*Purpose:* **This report presents the final LGSS Annual Report, which includes the Statement of Accounts for 2014-15 and Annual Governance Statement. The LGSS Annual Report is provided as Appendix A to this report.**

*Recommendation:* **The Audit and Accounts Committee are asked to note the position in respect of the audit of the LGSS Annual Report (Statement of Accounts and Annual Governance Statement) 2014-15.**

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## **1. BACKGROUND**

- 1.1 The LGSS Annual Report, which includes the Statement of Accounts for 2014-15 and Annual Governance Statement, was presented to the Audit and Accounts Committee at its meeting on 14<sup>th</sup> July 2015, prior to audit by KPMG. The LGSS Annual Report was also presented to the LGSS Joint Committee and the Northamptonshire County Council Audit Committee. The Annual Report comprises the LGSS Statement of Accounts for 2014-15, along with the LGSS Annual Governance Statement.
- 1.2 The Accounts are prepared under the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2014-15, which is based on International Financial Reporting Standards (IFRS). This is line with the preparation of the annual accounts for both Northamptonshire and Cambridgeshire County Councils.
- 1.3 The publication of the Statement of Accounts is an essential feature of public accountability and stewardship, as it provides an annual report on how LGSS has used the public funds for which it is responsible.
- 1.4 The signing, approval and publication of the Accounts is set out in Section 8 of the Accounts and Audit Regulations 2011. Accordingly they were certified by the Director of Finance by 30<sup>th</sup> June prior to submission to audit by the external auditor. KPMG were appointed by the Audit Commission to undertake this work. The Accounts will be presented to the LGSS Joint Committee at its meeting on 10<sup>th</sup> September. The final stages of certification and approval are set out within section 3 of this report and are subject to the outcome of the final audit testing outlined in section 1.6 below. The relevant sections of the founding authority constitutions delegate responsibility to the LGSS Joint Committee for the approval of the Annual Report.

### **Consultation and Scrutiny**

- 1.5 This report has been produced in consultation with the LGSS Director of Finance and the LGSS Management Board. It is also subject to scrutiny through this Committee and its usual governance procedures. The Accounts themselves as stated above have been subject to external audit by KPMG.

### **Reporting and Inspection of the Statement of Accounts**

- 1.6 The Regulations determine that the Accounts and other related documents have to be made available for public inspection for 20 working days before the "Appointed Day" (the day the auditors set aside to talk to the public about the Accounts). Accordingly, the LGSS's Accounts were made available for public inspection from 3<sup>rd</sup> July to 30<sup>th</sup> July 2015 inclusive and officers were available to deal with enquiries from the public during this period of time. An inspection request was received from one member of the public. Officers met with this individual on two occasions during the course of the public inspection to answer their questions about the LGSS Accounts. Subsequently this individual submitted a letter to the external auditors setting out provisional grounds for an objection to the LGSS Accounts. This objection is currently being reviewed by KPMG.

Further audit testing will be required as a result of this, and officers are in discussion with KPMG regarding the points raised within the objection letter. The objection is solely to the LGSS Accounts and will have no effect on the sign off of either authority's individual accounts. An update will be provided to members at the Audit and Accounts Committee meeting.

## **2. LGSS STATEMENT OF ACCOUNTS 2014-15**

2.1 The LGSS Statement of Accounts has been produced alongside the production of the annual Statement of Accounts of each founding authority and is based on the same financial records. Whilst the single entity accounts of Northamptonshire and Cambridgeshire County Councils include the proportion of LGSS attributable to each authority, the LGSS Statement of Accounts shows the combined position across all of the LGSS operational budgets.

2.2 The LGSS Statement of Accounts are comprised of the:

2.2.1 **Explanatory Foreword** – This gives an overview of the financial performance of LGSS for the financial year.

2.2.2 **Statement of Responsibilities and Certificate of Accounts** – This is where the formal sign off of the Accounts by the LGSS Joint Committee will be shown.

2.2.3 **Core Financial Statements** – These are the main statements that summarise LGSS's financial position and includes:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Cash Flow Statement
- Balance Sheet

2.2.4 **Notes to the Core Financial Statements** – These give further detail on specific items within the Accounts, and include the Accounting Policies which set out the basis on which the Accounts are produced.

2.2.5 **Annual Governance Statement** - The Annual Governance Statement outlines the governance arrangement for LGSS and how these have been applied during the year.

### **Changes between draft and final accounts**

2.3 There have been some changes made to the LGSS Accounts following the audit. The majority of these amendments to the draft Accounts are presentational in nature – such as amending the wording in some of the disclosure notes.

2.4 Some casting errors within the Accounts document were also identified during the audit and these have been corrected. For example, the Gross Income/Expenditure figures for 2014-15 within the Comprehensive Income and Expenditure Statement on page 12, and the total income/expenditure figures for 2014-15 within the Trading Operations note on page 25.

- 2.5 A small audit adjustment has been made to the LGSS creditors figures for 2014-15. This is as a result of the cut-off testing undertaken by the auditors, (checking that transactions have been recorded in the correct financial year). As a result of this, an adjustment of £200k has been made to the creditors figure. The cash figure has also been adjusted.
- 2.6 The wording of Note 16 has been expanded to give more information on the reasons for the prior period adjustment. Note 3 has also been expanded to indicate the judgements that were applied by officers when compiling the Accounts.
- 2.7 At the time of writing this report the external auditors are undertaking their final audit testing work in order to finalise their audit opinion, as set out in section 1.6 above. Officers will update members at the Audit and Accounts Committee meeting as to whether this additional audit work is likely to result in any further amendments to the Accounts document.

### **3. FURTHER STAGES IN THE FORMAL PROCESS**

- 3.1 As stated, the Accounts have been subject to external audit. This audit will conclude in September, subject to the resolution of the objection outlined in paragraph 1.6, when the auditors will issue a formal opinion on the LGSS Accounts to the LGSS Joint Committee. KPMG will also issue their ISA260 Report to the LGSS Joint Committee. The final Accounts will then be certified and approved by the LGSS Joint Committee. If the objection has not been resolved by the time of the LGSS Joint Committee meeting on 10 September then the LGSS Joint Committee will be asked to delegate the authority to approve the Accounts to the Director of Finance and the Chair of the Joint Committee, subject to the audit being completed with no material changes being required. An update will be given to the Audit and Accounts Committee on 22 September 2015.
- 3.2 The statutory date for publication is by the end of September, and in accordance with recognised practice, LGSS considers its Statement of Accounts to be published from the date that a final certified copy is made available via the LGSS web site.

### **4. ALIGNMENT WITH CORPORATE PRIORITIES**

#### **4.1 Developing the local economy for the benefit of all**

There are no significant implications for this priority.

#### **4.2 Helping people live healthy and independent lives**

There are no significant implications for this priority.

#### **4.3 Supporting and protecting vulnerable people**

There are no significant implications for this priority.

## **5. SIGNIFICANT IMPLICATIONS**

### **5.1 Resource Implications**

There are no significant implications within this category.

### **5.2 Statutory, Risk and Legal Implications**

There are no significant implications within this category.

### **5.3 Equality and Diversity Implications**

There are no significant implications within this category.

### **5.4 Engagement and Consultation Implications**

There are no significant implications within this category.

### **5.5 Localism and Local Member Involvement**

There are no significant implications within this category.

### **5.6 Public Health Implications**

There are no significant implications within this category.

<b>Source Documents</b>	<b>Location</b>
Code of Practice 2014-15 (based on IFRS) Statement of Accounts working papers. LGSS Outturn Report for 2014-15	Room 301 Shire Hall, Cambridge