

# Public Document Pack

THREE RIVERS & WATFORD  
SHARED SERVICES  
JOINT COMMITTEE



## AGENDA

Date: 24 September 2012

Time: 7.30 pm

Place: Town Hall, Watford

Members of the Committee:-

|               |                      |            |
|---------------|----------------------|------------|
| Councillors:- | M Watkin (Chair)     | A Khan     |
|               | B White (Vice-Chair) | S Nelmes   |
|               | G Derbyshire         | R Sangster |

The Joint Committee welcomes contributions from members of the public to its discussion on Part A agenda items. Contributions will be limited to one person speaking for and one against each item for not more than three minutes. Details of the procedure and the list for registering the wish to speak will be available for a short period before the meeting

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| <b>5</b> | <b>EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE - ISA260 - (SEPTEMBER 2012) AND APPROVAL OF THE STATEMENT OF ACCOUNTS FOR 2011/12</b> | <b>1 - 40</b> |
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This report allows the Committee to ask questions of the external auditor concerning his 'Report to those charged with Governance (ISA260)' and to approve the Statement of Accounts for 2011/12.

*Appendices to follow*

**Members are reminded that meetings of the Joint Committee shall end no later than 10.30pm unless otherwise agreed by the Joint Committee.**

**For more information concerning this agenda please contact the Secretary to the Joint Committee, Elwyn Wilson, Democratic Services Manager, Three Rivers District Council, Northway, Rickmansworth, Herts, WD3 1RL. Telephone: 01923 727248.**

**E-mail: [elwyn.wilson@threerivers.gov.uk](mailto:elwyn.wilson@threerivers.gov.uk)**

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Three Rivers and Watford Shared Services Joint Committee

**Report to Those Charged With Governance (ISA 260)**

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For the year ended 31 March 2012

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# 1 Executive summary

## 1.1 Purpose of this report

The purpose of this report is to highlight the key issues affecting the results of Three Rivers and Watford Shared Service Joint Committee (the Joint Committee) and the preparation of the Committee's financial statements for the year ended 31 March 2012. It is also used to report to management to meet the mandatory requirements of International Standard on Auditing (UK & Ireland) 260.

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Committee's financial statements present a true and fair view of the financial position. We are also required to reach a formal conclusion on whether the Committee has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money Conclusion).

We take responsibility for this report, which has been prepared on the basis of the limitations set out in 'Other reporting procedures' (Appendix B).

## 1.2 Introduction

Our audit is substantially complete although we are finalising our procedures in the following area:

- updating our post balance sheet events review, to the date of signing of the accounts
- receipt of the letter of representation
- final review of financial statements

We received draft financial statements in accordance with the national deadline and the accompanying working papers at the commencement of our work.

## 1.3 Key audit and financial reporting issues Financial statements opinion

We did not identify any significant audit adjustments that impact on the Committee's income and expenditure position (statement of comprehensive income) or balance sheet (statement of financial position).

At this stage of the audit, we anticipate issuing an unmodified audit opinion, following approval of the financial statements by the Joint Committee.

## Value for money conclusion

We are pleased to report that, based on our review of the Committee's arrangements, we propose to issue an unqualified opinion.

Further details are set out in section 6.

## 1.4 Controls

### Roles and responsibilities

The Committee's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we do identify any material control weaknesses, we report these to the Committee.

**1.5 Acknowledgement**

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP**

**17 September 2012**

## 2 Design effectiveness of internal controls

### **2.1 Accounting system and internal control**

We have placed reliance on the work undertaken on key financial controls at Watford Borough Council and Three Rivers District Council (the Councils) for the purpose of designing our programme of work for the financial statements audit. The audit of the key controls of the councils' financial systems found the controls in place to be robust and there was no amendment of the programme of work for the financial statements audit.

### **2.2 Management of the risk of fraud**

We have considered the processes in place to identify and respond to the risk of fraud at the Committee.

The Committee considers that there are adequate processes in place to mitigate against the risk of fraud occurring at the Committee and that those charged with governance have sufficient oversight over those processes to give them the assurances they require in this area.

### **2.3 Review of information technology controls**

We have placed appropriate reliance on the work undertaken on IT controls at Watford Borough Council and Three Rivers District Council (the Councils) for the purpose of designing our programme of work for the financial statements audit.

We performed a high level review of the general IT control environment as part of the overall review of the internal control system and concluded that although there are some significant weaknesses within the IT arrangements they do not adversely impact on our opinion on the financial statements.

## 3 Other reporting matters

### **3.1 Annual governance statement**

We have examined the Committee's arrangements and processes for compiling the AGS. In addition, we have read the AGS and considered whether the statement is in accordance with the requirements of the Code and consistent with our knowledge of the Committee.

We have concluded that the Joint Committee places reliance on the arrangements in place at Watford BC and Three Rivers DC, which were reported to have satisfactory arrangements in place to produce robust Annual Governance Statements and provide a strong audit trail for the Three Rivers Chief Executive and Chair of the Joint Committee to sign the statement.

### **3.2 Public Challenge Matters**

The Committee held the day that electors could raise questions on the accounts on 16<sup>th</sup> August 2012, we received no questions or objections in respect of the financial statements for the year ended 31 March 2012 on that day or subsequently that prevents us from issuing our audit certificate.

### **3.3 Next steps**

The Joint Committee is required to approve the financial statements for the year ended 31 March 2012. In forming its conclusions the Committee's attention is drawn to the financial statements and the Letter of Representation.



## 4 Value for Money

### 4.1 Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Committee's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our conclusion based on the following two criteria specified by the Audit Commission:

#### **The Committee has proper arrangements in place for securing financial resilience.**

The Committee has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

#### **The Committee has proper arrangements for challenging how it secures economy, efficiency and effectiveness.**

The Committee is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

### 4.2 Key findings

#### **Securing financial resilience**

To support our conclusion against this criteria we have undertaken a follow up review to our work performed in the same area in the prior year, which considered the Committee's performance against a series of key performance indicators and the arrangements in place against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control

The key findings from this review are:

- A review of the shared service budgetary control found that in the prior year a comparison of original budget to actual costs found that the Committee had recorded a £500,000 overspend in 2010/11. A review of the shared service actual costs compared to original budget for 2011/12 found that the shared service returned a £248,000 overspend, a 50% reduction of the prior year overspend. The reduction in expenditure has corrected the downward trend of overspending against budget and has put the Committee on a path of upwards trajectory.
- Analysis of the shared service accounts has found that two shared services returned underspends namely Finance and HR and two services returned overspends, IT and Revenues & Benefits, with

Revenues and Benefits recording a £359,000 overspend. The service is facing significant staffing challenges and still faces a processing backlog of housing and council tax benefit claims.

implementing recommendations from external consultants and audit, internal and external, and to assess the proposed scope for reviewing the future viability of the service. We are satisfied with the progress the Council have made.

**Challenging economy, efficiency and effectiveness**

To support our conclusion against this criteria we have reviewed whether the Committee has prioritised its resources to take account of the tighter constraints it is required to operate within by achieving cost reductions and improved productivity and efficiencies.

As part of our 2011-12 audit plan we identified the need to review the arrangements in respect of the ICT Shared Service for both Watford BC and Three Rivers DC, in particular to understand the plans for

We have completed a review against key risk indicators which has not highlighted any significant issues that would impact on our conclusion in respect of this criterion.

**4.3 Overall conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Committee put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

## A Prior year recommendation follow up

| <b>Recommendation</b>  | <b>Management comments</b>  | <b>Status</b>     |
|--|---|-------------------|
| <b>Financial Reporting</b><br>1 Strengthen the financial reporting to include actions developed in response to the reported variances on the comparison of expenditure to budget | Going forward Budget monitoring report will become a standing item on the committee agenda. | To be implemented |

## B Other reporting procedures

ISAUK 260 requires communication of:

- relationships that have a bearing on the independence of the audit firm and the integrity and objectivity of the engagement team
- nature and scope of the audit work
- significant findings from the audit

### Purpose of report

This report has been prepared for the benefit of discussions between Grant Thornton and the Three Rivers and Watford Joint Committee.

The purpose of this report is to highlight the key issues affecting the results of the Committee and the preparation of the Committee's financial statements for the year ended 31 March 2012.

This document is also used to report to management to meet the mandatory requirements of International Standard on Auditing (UK & Ireland) 260.

We would point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of the Committee.

This report is strictly confidential and although it has been made available to management to facilitate discussions, it may not be taken as altering our responsibilities to the Committee arising under the terms of our audit engagement.

### Responsibilities of the directors and auditors

The directors are responsible for the preparation of the financial statements and for making available to us all of the information and explanations we consider necessary. Therefore, it is essential that the directors confirm that our understanding of all the matters in this memorandum is appropriate, having regard to their knowledge of the particular circumstances.

### Clarification of roles and responsibilities with respect to internal controls

The Shared Service's management is responsible for the identification, assessment, management and monitoring of risk, for developing, operating and monitoring the system of internal control and for providing assurance to the Joint Committee that it has done so.

The Joint Committee is required to review the Committee's internal financial controls. In addition, the Joint Committee is required to review all other internal controls and approve the statements included in the annual report in relation to internal control and the management of risk.

The Joint Committee should receive reports from management as to the effectiveness of the systems they have established as well as the conclusions of any testing conducted by internal audit or ourselves.

We have applied our audit approach to document, evaluate and assess your internal controls over the financial reporting process in line with the requirements of auditing standards.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you.

In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We would be pleased to discuss any further work in this regard with the Joint Committee.

### Independence

Ethical standards require us to give you full and fair disclosure of matters relating to our independence. In this context, we disclose the following to you:

- the appointed engagement lead and audit manager are subject to rotation every seven years;
- Grant Thornton, its partners and directors and the audit team have no family, financial employment, investment or business relationship with the Committee; and
- our fees paid by the Committee do not represent an inappropriate proportion of total fee income for either the firm, office or individual engagement lead.

In accordance with best practice, we analyse our fees below:

|                 |                |
|-----------------|----------------|
| Statutory audit | £10,000        |
| <b>Total</b>    | <b>£10,000</b> |

### Audit quality assurance

Grant Thornton's audit and assurance practice is currently monitored by the Audit Inspection Unit, an arm of the Financial Reporting Committee, which has responsibility for monitoring the firm's public interest audit engagements.

The audit and assurance practice is also monitored by the Quality Assurance Directorate of the ICAEW and Grant Thornton conducts internal quality reviews of engagements.

Furthermore, audits of public interest bodies are subject to the Audit Commission's quality review process.



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Our Ref: WBC(1112)/PD/RJL  
Your Ref

Grant Thornton UK LLP  
Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

24 September 2012

Dear Sirs

**Three Rivers and Watford Shared Services Joint Committee  
Financial Statements for the Year Ended 31 March 2012**

This representation letter is provided in connection with the audit of the financial statements of Three Rivers and Watford Shared Services Joint Committee for the year ended 31 March 2012 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards.

We confirm to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.
- iii We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud.
- iv Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- v We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.
- vi Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- vii All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

- viii The financial statements are free of material misstatements, including omissions.
- ix Except as stated in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- x We have no plans or intentions that may materially alter the carrying value of classification of assets and liabilities reflected in the financial statements.
- xi We believe that the Joint Committee's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Joint Committee's needs. We believe that no further disclosures relating to the Joint Committee's ability to continue as a going concern need to be made in the financial statements.

### **Information Provided**

- xii We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.
- xiii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xiv We have communicated to you all deficiencies in internal control of which management is aware.
- xv All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvi We have disclosed to you our knowledge of fraud or suspected fraud affecting the entity involving:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xvii We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
- xviii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xix We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.



**Other statements**

xx We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Joint Committee's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

**Approval**

The approval of this letter of representation was minuted by the Joint Committee at its meeting on 24 September 2012

Signed on behalf of Three Rivers and Watford Shared Services Joint Committee.

|          |       |          |       |
|----------|-------|----------|-------|
| Name     | ..... | Name     | ..... |
| Position | ..... | Position | ..... |
| Date     | ..... | Date     | ..... |

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THE THREE RIVERS & WATFORD  
SHARED SERVICES JOINT COMMITTEE

STATEMENT OF ACCOUNTS

2011/2012



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| <b>EXPLANATORY FOREWORD</b>  | <b>3</b>  |
| The foreword gives a brief explanation of what is included within the Statement of Accounts, as well as providing a summary of the main financial results for 2011/12.   |           |
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| Each council raises council tax on a different accounting basis to the way financial performance is measured in the Comprehensive Income and Expenditure Account. In each council's accounts, this Statement shows the movement in the year on different reserves held by the Council and which contribute to their General Fund balances. There are no adjustments needed to the shared services income and expenditure account before consolidation into the accounts of the two councils, therefore there is nothing to record in this account. |           |
| <b>Comprehensive Income and Expenditure Account</b>  | <b>12</b> |
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## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Code of Practice on Local Authority Accounting in The United Kingdom reflects the requirements of the Accounts and Audit Regulations (England) 2011. The Authority must provide a Statement of Responsibilities for the Statement of Accounts which sets out the responsibilities of the Authority and the Chief Financial Officer for the Accounts.

### **The Joint Committee's Responsibilities**

The Joint Committee is required:

- (a) To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For the Shared Services Joint Committee the Finance Officer is the Head of Finance for Shared Services.
- (b) To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (c) To approve this Statement of Accounts.

**Signed:** .....

**Councillor Mark Watkin**  
**Chairman, Three Rivers and Watford Shared Services Joint Committee**  
**Date: 24 September 2012**

### **The Finance Officer's Responsibilities**

The Joint Committee's Finance Officer is responsible for the preparation of the Joint Committee's Statement of Accounts in accordance with proper practices as set out in the Code of Practice.

In preparing this Statement of Accounts the Head of Finance Shared Services has:

- (a) Selected suitable accounting policies and then applied them consistently;
- (b) Made judgements and estimates that were reasonable and prudent;
- (c) Complied with the Code of Practice (except where disclosed otherwise);
- (d) Kept proper accounting records which were up to date; and
- (e) Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **CERTIFICATE OF THE FINANCE OFFICER**

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Joint Committee at 31 March 2012 and its income and expenditure for the year ended 31 March 2012.

**Signed:** .....

**Alan Power**  
**Finance Officer**  
**Head of Finance, Shared Services**  
**Date: 24 September 2012**

# EXPLANATORY FOREWORD

## 1. Introduction

The purpose of the Statement of Accounts is to give information to interested parties on how the Joint Committee has used the resources available to it to provide services to Three Rivers and Watford councils. The Shared Services arrangement commenced on the 1 April 2009 for the provision of Finance, Human Resources, ICT and Revenues & Benefits services.

This foreword gives a brief explanation of what is included within the Statement of Accounts, as well as providing a summary of the main financial results for 2011/12.

The Joint Committee is required to prepare 'group accounts' where there are significant interests in other organisations. It has carried out a review and determined that no other organisations exist that would require group accounts to be prepared.

## 2. Accounting Framework

The *Code of Practice on Local Authority Accounting in the United Kingdom* defines the proper accounting practices for local authorities in England. The *Code has been published by* the Chartered Institute of Public Finance and Accountancy (CIPFA) based on International Financial Reporting Standards (IFRS). The Accounts and Audit Regulations (England) 2011 define the Three Rivers and Watford Shared Services Joint Committee as a Larger Relevant Body.

## 3. Changes in Functions

There have been no significant changes in functions of Shared Services during 2011/12.

## 4. Revenue Activities

### **Revenue Out-turn 2011/12**

Revenue expenditure is the day-to-day expenditure incurred by the Councils to deliver shared services. Total revenue expenditure amounted to £6.65m. The Three Rivers and Watford Shared Services Joint Committee is not a separate legal entity and does not have capacity to enter into contracts of employment or contracts for goods and services. The Joint Committee has no employees, assets or liabilities - these are the responsibility of the constituent councils. Shared Services costs and incomes are reported separately to the Joint Committee for management, performance and accounting purposes.

Comparison of the original budget with the out-turn for each of the shared services:-

|                     | 2011/12<br>Original<br>Estimate<br>£000s | 2011/12<br>Out-turn<br>£000s | 2011/12<br>Variance<br>£000s |
|---------------------|--|------------------------------|------------------------------|
| ICT                 | 1,459                                    | 1,470                        | 11                           |
| Finance             | 1,625                                    | 1,533                        | (92)                         |
| Human Resources     | 725                                      | 695                          | (30)                         |
| Revenues & Benefits | 2,607                                    | 2,966                        | 359                          |
|                     | <u>6,416</u>                             | <u>6,664</u>                 | <u>248</u>                   |

## EXPLANATORY FOREWORD

Comparison of the original budget with the out-turn analysed against the CIPFA subjective classification:-

|                       | 2011/12<br>Original<br>Estimate<br>£000s | 2011/12<br>Out-turn<br>£000s | 2011/12<br>Variance<br>£000s |
|-----------------------|--|------------------------------|------------------------------|
| Employees             | 5,317                                    | 5,661                        | 344                          |
| Transport             | 50                                       | 48                           | (2)                          |
| Supplies and Services | 958                                      | 861                          | (97)                         |
| Agency and Contracted | 96                                       | 99                           | 3                            |
| Income                | (5)                                      | (5)                          | 0                            |
|                       | 6,416                                    | 6,664                        | 248                          |

Comparison of the income from the partner councils in the original budget with the out-turn:-

|                               | 2011/12<br>Original<br>Estimate<br>£000s | 2011/12<br>Out-turn<br>£000s | 2011/12<br>Variance<br>£000s |
|-------------------------------|--|------------------------------|------------------------------|
| Three Rivers District Council | 2,535                                    | 2,597                        | 62                           |
| Watford Borough Council       | 3,881                                    | 4,067                        | 186                          |
|                               | 6,416                                    | 6,664                        | 248                          |

The variance between the expenditure and the original budget results predominantly from the employment of additional benefits assessors to address an increasing workload resulting from the economic climate.

### 5. Future Revenue Expenditure & Its Funding

Expenditure on the services is under the control of the partner councils. The four shared services reported their estimated latest budgeted net expenditure for the four financial years from 2011/12 through to 2014/15 to the Joint Committee in November 2011. These estimates were agreed and incorporated into the partner councils medium term financial plans. The Joint Committee receives quarterly financial and performance monitoring reports. Arrangements are in place to refer variances to the councils.

### 6. Governance

This Statement of Accounts is one way in which the Three Rivers and Watford Shared Services Joint Committee tries to demonstrate that it is making good use of public funds and providing value for money. The Councils are constantly looking to improve financial management and internal control within the Shared Services arrangement. The External Auditor carries out value for money reviews in partner councils as part of their reporting.



## EXPLANATORY FOREWORD

### 7. Further Information

Further information on the joint service accounts is available from the Head of Finance (Shared Services) based at Three Rivers Council Offices, Northway, Rickmansworth, Herts., WD3 1RL. Information on both councils policies, their Medium Term Financial Plans and Statements of Accounts can be found on their websites or in hard copy by request. Please visit [www.threerivers.gov.uk](http://www.threerivers.gov.uk) and [www.watford.gov.uk](http://www.watford.gov.uk)

*Alan Power*  
*Head of Finance*  
*Shared Services*  
*28 June 2012*

## 1. Scope of Responsibility

The Three Rivers and Watford Shared Services Joint Committee is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Joint Committee also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Joint Committee is responsible for putting in place proper arrangements for the governance of affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Three Rivers District Council and Watford Borough Council have approved and adopted codes of corporate governance, which are consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) Framework 'Delivering Good Governance in Local Government'. Copies of both codes can be found on the websites for Three Rivers

<http://www.threerivers.gov.uk/Default.aspx/Web/CorporateGovernance>

and Watford

<http://www.watford.gov.uk/ccm/content/finance/local-code-of-corporate-governance.en>

or be obtained from the councils.

These statements explain how the Councils have complied with the Code and also meet the requirements of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

## 2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Joint Committee is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Joint Committee to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Joint Committee's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance frameworks described in the reports to Audit Committees for Three Rivers and for Watford have been in place at the Councils for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.

## 3. The Governance Framework

The key elements of the systems and processes that comprise the Joint Committee's governance arrangements are:-

- Identifying and communicating the vision of the Shared Services Joint Committee's purpose and intended outcomes for citizens and service users.
- Reviewing the councils' vision and its implications for the governance arrangements of the Shared Services Joint Committee.
- Measuring the quality of services for users and ensuring they are delivered in accordance with the Joint Committee's objectives for ensuring they represent the best use of resources.
- Defining and documenting roles and responsibilities of the Joint Committee and officer functions with clear delegation arrangements and protocols for effective communication.
- Developing, communicating and embedding codes of conduct for standards of behaviour for members and staff.
- Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes which clearly define how decisions are taken and the process and controls to manage risks.
- Undertaking the core functions of an audit committee as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
- Whistle-blowing and arrangements for receiving and investigating complaints from the public.
- Identifying the development needs of members and senior officers.
- Establishing clear channels of communication with all sections of the community.
- Incorporating good governance arrangements in respect of partnerships.

## 4. Review of Effectiveness

The Joint Committee has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers who have responsibility for the development and maintenance of the governance environment, the Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

# ANNUAL GOVERNANCE STATEMENT

The Councils have procedures in place to ensure the maintenance and review of the effectiveness of the governance frameworks which includes reports to and reviews by the following:-

- The Audit Committee of Three Rivers, the Audit Committee of Watford and the Standards Committee of each Council.
- Internal Audit and External Audit.
- Other review / assurance mechanisms.

## 5. Significant Governance Issues

### 5.1 Three Rivers District Council

The Council proposes over the coming year to take steps to address the following matters to further enhance its governance arrangements. It is satisfied that these steps will address the need for improvements that were identified in its review of effectiveness and will monitor their implementation and operation through regular reporting to the Audit Committee.

| <i>Action</i>   | <i>Priority</i> | <i>Responsibility</i>                        | <i>Action to date / Action Required</i>  | <i>Resolved</i> | <i>Original Implementation Date</i> |
|---|-----------------|--|--|-----------------|-------------------------------------|
| <p>In continuing to monitor internal audit recommendations, the Audit Committee should:</p> <ul style="list-style-type: none"> <li>• receive progress reports on the time taken to implement high priority recommendations</li> <li>• monitor specifically recommendations concerning the recovery of overpaid benefits, reconciliations to the Financial Management System, ICT and contract management</li> </ul> | High            | Director of Corporate Resources & Governance | <p>Quantum of overpaid benefits confirmed in closing of accounts process and appropriate provision for bad debts made. Plans now required for write-offs where required.</p> <p>SQLs have been written to extract information from the revenues and benefits system to the financial management system enabling finance staff to perform reconciliations more easily.</p> <p>Audit Committee is monitoring the implementation of internal and external audit recommendations and is receiving progress reports from the external auditors.</p> | ✘               | March 2013                          |
| <p>Members should continue to monitor the progress towards achieving the cost reductions included in the budget</p>   | Medium          | Management Board                             | <p>Monthly budget monitoring reports include progress. Chief Executive's report to the Executive Committee on Restructuring Proposals addressed a shortfall in savings required.</p>   | ✘               | March 2013                          |

# ANNUAL GOVERNANCE STATEMENT

| <i>Action</i>   | <i>Priority</i> | <i>Responsibility</i>                        | <i>Action to date / Action Required</i>   | <i>Resolved</i> | <i>Original Implementation Date</i> |
|---|-----------------|--|---|-----------------|-------------------------------------|
| Members should monitor the Council's plans in respect of the localisation of support to council tax, the retention of business rates and changes to universal credit. | High            | Director of Corporate Resources & Governance | Working Party set up at Annual Council meeting to consider localisation of support to Council Tax. First meeting scheduled for 11 June 2012.  | ✘               | March 2013                          |
| Members should continue to seek assurance that the weaknesses identified in ICT provision are being addressed   | High            | Director of Corporate Resources & Governance | Audit Committee is monitoring the implementation of internal and external audit recommendations and is receiving progress reports from the external auditors. Joint Shared Services Committee has received reports on the progress of tendering the service.  | ✘               | March 2013                          |
| The Director of Corporate Resources and Governance should work with the external auditors to improve the explanatory foreword to the Statement of Accounts            | Low             | Director of Corporate Resources & Governance | Foreword in preparation for inclusion in draft Statement of Accounts. Work carried out to produce clear reconciliation between published budget figures and financial statements included in the accounts have been shared with the auditor, whose publication "Weathering the Storm" includes advice on preparation of the Foreword that is being used in its preparation. | ✔               | September 2012                      |

## 5.2 Watford Borough Council

The following significant issues have been identified as a result of review, with target dates for correction:

| <b>No.</b> | <b>Issue</b>   | <b>Action</b>   | <b>Lead</b>                                    | <b>Update</b>   |
|------------|--|---|--|---|
| 1          | Revenues and Benefits reconciliations within Academy and between Academy and the Cedar Finance Management System need to be completed for 2011/2012. | External help has been engaged to bring this up to date.<br><br>BY: Immediate | Head of Revenues and Benefits Shared Services. | This was an issue in 2010/2011. Great progress has been made and it just requires one last effort to remove this as a governance issue. |

# ANNUAL GOVERNANCE STATEMENT

| No. | Issue  | Action  | Lead  | Update  |
|-----|--|---|---|---|
| 2   | Revenues and Benefits received a detailed Health Check report in Summer 2010. A few recommendations have still to be achieved.   | Solid progress has been made but the Revenues and Benefits health check should continue to be revisited until all accepted recommendations are completed.<br><br>BY: 31st December 2012.  | Head of Revenue and Benefits Shared Services.   | Until all recommendations have been actioned the service will continue to be 'average' at too high a cost.                  |
| 3   | Revenues and Benefits received an Inspection from the Department of Works and Pensions at year end. The report indicated good progress had been made but highlighted two issues of concern. The first issue related to the fact that notification of regulation amendments from the DWP (ATLAS) have not been actioned since July 2011. This will increase the probability of overpayments being made. The second issue relates to the fact that the Shared Services 'local authority error' for Watford is higher than acceptable levels. | Retrospective action needs to be taken to action all ATLAS notifications.<br><br>BY: Immediate<br><br>Improvements in timescales for dealing with outstanding benefit claimants should result in the level of local authority error falling to acceptable levels.<br><br>BY: September 2012.  | Head of Revenues and Benefits Shared Services.  | ATLAS work has now commenced. Improvement in turn around times for claimants is being maintained.                           |
| 4   | The incidence of Fraud has increased across the economy generally. This fraud includes false supplier details, syndicates submitting fictitious benefits claims, cyber crime by hacking into ICT systems, and the lack of proper vetting procedures relating to key staff appointments.  | The most vulnerable areas of Council activity have been reviewed but all financial procedure rules need to be reviewed. ICT security systems need a 'health check' to ensure they are robust to cyber hacking. Additional staff vetting procedures should be introduced when appointing ICT or Benefits staff in particular.<br><br>BY: 30th September 2012 | Head of Finance Shared Services.<br><br>Head of ICT Shared Services.<br><br>Head of HR Shared Services. | Immediate vulnerable areas such as payment of creditors has been addressed. A comprehensive review now needs to take place. |

# ANNUAL GOVERNANCE STATEMENT

| No. | Issue  | Action   | Lead                         | Update  |
|-----|--|--|------------------------------|---|
| 5   | Issues relating to the ICT operating platforms need to continue to be addressed so that there is greater resilience for all users. | Progress has been made in improving server resilience and issues relating to the 'thin client' environment. This progress needs to continue.<br><br>BY: October 2012 | Head of ICT Shared Services. | An Action Plan has been developed.<br>The service is being market tested during 2012/2013 with the evaluation criteria having a heavy emphasis on 'quality of product'. |

We propose over the coming year to liaise with Three Rivers District Council in order to take steps to address the above matters. Subject to the necessary approvals from TRDC, we are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed .....

**Mark Watkin**  
**Chairman**

**Three Rivers and Watford Shared Services Joint Committee**

**Date: 24 September 2012**

Signed .....

**Dr Steven Halls**  
**Chief Executive**  
**Three Rivers District Council**

**Date: 24 September 2012**

## STATEMENT OF MOVEMENT IN RESERVES

The Comprehensive Income and Expenditure Account (I&E) shows the Joint Committee's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. Each Council is required to raise Council Tax on a different accounting basis.

There are no adjustments required to the Shared Service Income and Expenditure Account before consolidation into the accounts of each Council's General Fund Balances.

## COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the Shared Service during the last year. It includes all day-to-day expenses and related income on an accruals basis.

| 2010/2011                     |   | 2011/2012               |                    |                                 |
|-------------------------------|---|-------------------------|--------------------|---------------------------------|
| Net Expenditure /Income £000s |   | Gross Expenditure £000s | Gross Income £000s | Net Expenditure /(Income) £000s |
|                               | <b>Expenditure on Continuing Services</b>     |                         |                    |                                 |
| 1,335                         | Local Tax Collection                          | 1,400                   | (1)                | 1,399                           |
| 1,826                         | Housing Benefits                              | 1,567                   | 0                  | 1,567                           |
| 3,858                         | Central Support Services (HR, Finance & ICT)  | 3,703                   | (5)                | 3,698                           |
| 7,019                         | <b>Cost of Services/Operating Expenditure</b> | 6,670                   | (6)                | 6,664                           |
| (2,741)                       | Income from Three Rivers District Council     |                         |                    | (2,597)                         |
| (4,278)                       | Income from Watford Borough Council           |                         |                    | (4,067)                         |
| 0                             | <b>(Surplus)/Deficit For The Year</b>         |                         |                    | 0                               |



## BALANCE SHEET AS AT 31 MARCH 2012

| 31 March 2011<br>£000s |                                      | Note | 31 March 2012<br>£000s |       |
|------------------------|--------------------------------------|------|------------------------|-------|
|                        |                                      |      | £000s                  | £000s |
|                        | <b>Current Assets</b>                |      |                        |       |
| 35                     | Debtors                              | 5    | 178                    |       |
| 35                     | Cash & Bank (Three Rivers DC)        |      | 22                     |       |
| 49                     | Cash & Bank (Watford BC)             |      | 39                     | 239   |
| 119                    |                                      |      |                        |       |
|                        | <b>Current Liabilities</b>           |      |                        |       |
| (119)                  | Creditors                            | 6    | (239)                  |       |
| 0                      | Bank Overdrawn (Watford BC)          |      | 0                      | (239) |
| 0                      |                                      |      |                        |       |
|                        | <b>Total Assets Less Liabilities</b> |      |                        | 0     |
|                        |                                      |      |                        |       |
|                        | <b>Financed By</b>                   |      |                        |       |
| 0                      | Revenue Fund Balance                 |      |                        | 0     |
|                        |                                      |      |                        |       |

Signed .....

Date: 24 September 2012

**Alan Power**

Head of Finance, Shared Services

Signed .....

Date: 24 September 2012

**Councillor Mark Watkin**

Chairman, Three Rivers and Watford Shared Services Joint Committee

## CASH FLOW STATEMENT

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

| 2010/2011<br>£000s |                                      | 2011/2012<br>£000s |
|--------------------|--------------------------------------|--------------------|
|                    | <b>Revenue Activities</b>            |                    |
|                    | <b>Cash Outflows</b>                 |                    |
| 7,007              | Operating Cash Payments              | 6,550              |
|                    | <b>Cash Inflows</b>                  |                    |
| (7,074)            | Cash Received for Goods And Services | (6,527)            |
| (67)               | <b>(Increase)/Decrease In Cash</b>   | 23                 |
|                    |                                      |                    |

# NOTES TO THE CORE FINANCIAL STATEMENTS

## **1. Statement Of Accounting Policies**

The Statement of Accounting Policies explains the basis for the recognition, measurement and disclosure of transactions and other events in the Accounts.

### **1.1 General Principles**

The Statement of Accounts summarises the Joint Committee's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Joint Committee is required to prepare an annual Statement of Accounts by The Accounts and Audit (England) Regulations 2011, which require these to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### **1.2 Debtors and Creditors, Income and Expenditure**

The accounts of the Council are shown on an accruals basis in accordance with the Code of Practice. That is to say, actual expenditure and income incurred during the year is recorded in the accounts, rather than the cash sums paid or received. Where actual costs are not available, accruals are made on a best estimate basis.

### **1.3 Support Services**

The policies adopted for Shared Services by Three Rivers and Watford Councils is to charge costs directly to partner councils.

### **1.4 Basis of Preparation**

No separate accounting records are kept by the Shared Services Joint Committee. As a result the accounts have been prepared from the records maintained by Three Rivers District Council and Watford Borough Council.

### **1.5 Value Added Tax**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenues and Customs and all VAT paid is recoverable from them.

VAT has been included in the income and expenditure accounts only to the extent that it is irrecoverable.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 2. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However decisions about resource allocation are taken by the Joint Committee on the basis of budget reports analysed across services, as below:

| 2010/11<br>£000s | SERVICE AREA                               | 2011/12<br>£000s |
|------------------|--|------------------|
| 1,468            | Information Technology                     | 1,470            |
| 1,611            | Finance                                    | 1,533            |
| 779              | Human Resources                            | 695              |
| 3,161            | Revenues & Benefits                        | 2,966            |
| <b>7,019</b>     | <b>Net Shared Services</b>                 | <b>6,664</b>     |
|                  |  |                  |
|                  | <b>FUNDING</b>                             |                  |
| (2,741)          | Three Rivers District Council Contribution | (2,597)          |
| (4,278)          | Watford Borough Council Contribution       | (4,067)          |
| <b>(7,019)</b>   | <b>Total Funding</b>                       | <b>(6,664)</b>   |
|                  |  |                  |
| 0                | Net Expenditure Less Funding               | 0                |
| <b>0</b>         | <b>Surplus/Deficit Shared Services</b>     | <b>0</b>         |
|                  |  |                  |

### Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

As the shared service accounts do not include any adjustments under Statute, the figures presented to the Joint Committee agree to those shown on the face of the Comprehensive Income and Expenditure Account, so no reconciliation of the figures is required.

## 3. Local Authorities Goods and Services Act 1970

The Shared Service provides HR support to the West Herts Crematorium Joint Committee.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 4. Related Parties

The Shared Service is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Joint Committee or to be controlled or influenced by the Joint Committee. Disclosure of these transactions in this Statement of Accounts allows the readers to assess the extent to which the Joint Committee might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Joint Committee.

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party irrespective of whether a charge is made.

Related parties to the Joint Committee would include:

- ◆ central government;
- ◆ local authorities and other bodies precepting or levying demands on the council tax;
- ◆ its councillors;
- ◆ its chief officers; and
- ◆ its pension fund.

The Three Rivers and Watford Shared Services Joint Committee has been established under the Local Government Act 1972 and the Local Government Act 2000. The Agreement between the two councils was to establish and facilitate the joint delivery of certain functions in accordance with the terms of the Agreement. The Joint Committee is empowered to arrange for the discharge of these functions. Three Rivers and Watford councils have each nominated three Members with full voting rights to the Joint Committee.

## 5. Debtors

| Balance at<br>31 March 11<br>£000s |                | Balance at<br>31 March 12<br>£000s |
|------------------------------------|----------------|------------------------------------|
| 35                                 | Sundry Debtors | 178                                |
| 35                                 |                | 178                                |

There is no provision for bad debts, as all of the debts are less than a year old.

The Shared Service considers that the carrying amount of trade and other debtors approximates to their fair value.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 6. Creditors

| Balance at<br>31 March 11<br>£000s |                            | Balance at<br>31 March 12<br>£000s |
|------------------------------------|----------------------------|------------------------------------|
| 119                                | Sundry and Other Creditors | 239                                |
| 119                                |                            | 239                                |

Sundry and Other Creditors are the Shared Service's trade creditors and payments in advance.

## 7. Disclosure of Audit Costs

In 2011/12 the Joint Committee incurred the following Audit Commission fees relating to external audit

| 2010/11<br>£000s |            | 2011/12<br>£000s |
|------------------|------------|------------------|
| 11               | Audit Fees | 10               |
| 11               |            | 10               |

## 8. Authorisation Of The Accounts For Issue

The Statement of Accounts was authorised for issue by Alan Power, the Shared Services Finance Officer, on 24 September 2012.

## 9. Events After The Balance Sheet Date

There are no post balance sheet events requiring disclosure. In determining if an event requires disclosure consideration has been given to events occurring up to 24 September 2012.

## GLOSSARY

### **Accounting Period**

The period of time covered by an authority's accounts, normally twelve months, beginning on 1 April. Also known as the Financial Year.

### **Accounting Policies**

The principles, bases, conventions, rules and practices applied that specify how the effects of transactions and other events are reflected in the financial statements.

### **Accrual**

A sum included in the final accounts attributable to that accounting period but for which an actual payment is yet to be made or income received. Accruals are made for revenue and capital expenditure and income.

### **Asset**

An item having measurable value in monetary terms. Assets can be defined as fixed or current. A fixed asset has use and value for more than one year where current assets can be readily converted into cash.

### **Audit Commission**

The body responsible for appointing external auditors to local authorities and for setting the standards that those auditors are required to follow. The Commission will also carry out studies designed to promote the effective and efficient provision of local authority services.

### **Council Tax**

A local tax set by local authorities in order to meet their budget requirements. There are eight Council Tax bands (Band A to Band H); the amount of Council Tax each household pays depends on the value of their homes.

### **Creditors**

Amounts owed by an authority for works done, goods received or services rendered before the end of an accounting period, but for which actual payments had not been made by the end of that accounting period.

### **Debtors**

Amounts due to an authority for works done, goods supplied or service rendered before the end of an accounting period, but for which actual payments had not been received by the end of that accounting period.

### **Exceptional Items**

Material items that derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence.

### **External Audit**

The auditor is appointed by the Audit Commission and is required to verify that all statutory and regulatory requirements have been met during the production of the authority's accounts. There is also a requirement to review the arrangements in place to ensure the economic and effective use of resources.

### **Extraordinary Items**

Material items that derive from events or transactions that fall outside the ordinary activities of the authority.

## GLOSSARY

**FRS**

A statement of accounting practice issued by the Accounting Standards Board in the UK.

**General Fund**

The common name for the account which accumulates balances for all services.

**IFRS**

International Financial Reporting Standards.

**Liability**

An amount owed by an authority that will be paid at some time in the future.

**Outturn**

Actual income and expenditure in an accounting period.

**Reserves**

This is the accumulated surplus income (in excess of expenditure), which can be used to finance future spending.

**Revenue Expenditure**

Expenditure on day-to-day running costs such as salaries, heating, printing and stationery and debt charges. Revenue items will either be expended immediately, like salaries, or within one year of purchase.

**Support Services**

These are functions that provide support to service departments. They include accountancy, internal audit, information technology, human resources, general administration and office accommodation.

# INDEPENDENT AUDITORS REPORT AND CERTIFICATE

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THREE RIVERS AND WATFORD SHARED SERVICES JOINT COMMITTEE

### Opinion on the Committee financial statements

We have audited the financial statements of Three Rivers and Watford Shared Service Joint Committee for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Committee Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Three Rivers and Watford Shared Service Joint Committee in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Committee and the Committee's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Finance Officer and Auditor

As explained more fully in the Statement of the Finance Officer's Responsibilities, the Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Committee Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Committee's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Three Rivers and Watford Shared Service Joint Committee as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Committee Accounting in the United Kingdom 2011/12.



# INDEPENDENT AUDITORS REPORT AND CERTIFICATE

## **Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Committee to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act

We have nothing to report in these respects

## **Conclusion on the Committee's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Respective responsibilities of the Committee and the auditor**

The Committee is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Committee has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Committee has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Committee's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Committee has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

# INDEPENDENT AUDITORS REPORT AND CERTIFICATE

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Committee put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Committee had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, we are satisfied that, in all significant respects, Three Rivers and Watford Shared Service Joint Committee put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

## Certificate

We certify that we have completed the audit of the accounts of Three Rivers and Watford Shared Service Joint Committee in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

.....  
Paul Dossett  
Senior Statutory Auditor, for and on behalf of Grant Thornton UK LLP

Grant Thornton House  
Melton Street  
London  
NW1 2EP

Date: 24 September 2012