

# Public Document Pack

THREE RIVERS & WATFORD  
SHARED SERVICES  
JOINT COMMITTEE



## AGENDA

Date: 12 September 2011

Time: 7.30 pm

Place: Three Rivers District Council

Members of the Committee:-

Councillors:-	M Bedford G Derbyshire A Khan	R Sangster B White (Chair) A Wylie (Vice-Chair)
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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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Item		Page
5	<b>EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE - ISO260 (SEPTEMBER 2011) AND APPROVAL OF THE STATEMENT OF ACCOUNTS FOR 2010/11</b>	1 - 44
	This report allows the Committee to ask questions of the external auditor concerning his 'Report to those charged with Governance' and to approve the Joint Committee's Statement of Accounts for 2010/11.	
6	<b>ICT PROJECTS AND OPTIONS APPRAISAL UPDATE</b>	45 - 50
	This report updates the Committee on ICT projects and the work carried out to date on options appraisal.	

**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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# Agenda Item 5

## THREE RIVERS & WATFORD SHARED SERVICES JOINT COMMITTEE

**Date of meeting:** 12 September 2011

PART A

AGENDA ITEM

# 5

**Title:** EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE – ISA260 – (SEPTEMBER 2011) AND APPROVAL OF THE STATEMENT OF ACCOUNTS FOR 2010/11

**Report of:** Head of Finance (Shared Services)

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### 1. SUMMARY

1.1 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 2010/11.

### 2. RECOMMENDATIONS

2.1 That the Committee notes the external auditor's 'Report to those charged with Governance',

2.2 That the Committee seeks any clarification it needs concerning the Statement of Accounts for 2010/11,

2.3 That the Committee confirms that it is satisfied that the accounting policies adopted are the most appropriate, and,

2.4 That the Statement of Accounts for 2010/11 be approved.

#### **Contact Officer:**

For further information on this report please contact:

Alan Power – Head of Finance – Shared Services

telephone number: 01923 727196

email: alan.power@threerivers.gov.uk

#### **Report approved by:**

David Gardner – Director of Corporate Resources & Governance – Three Rivers D.C.

### 3. DETAILED PROPOSAL

#### *Introduction*

- 3.1 The Accounts and Audit (England) Regulations 2011 introduced a more sensible approach to auditing and approving the annual statement of accounts. Rather than the Committee approving the Statement subject to audit prior to 30 June, and receiving the auditor's report before the end of September, with the possibility of having to then re-approve the Statement, the regulations now state that whilst the accounts still have to be completed by 30 June, they are not approved by members before they have been audited. This allows amendments to be made and the auditor's report to be taken into account before approval.
- 3.2 The Auditor's 'Report to those charged with Governance' is attached at Appendix 1. It is issued in accordance with ISA260 and incorporates a conclusion on final accounts work and a value for money judgement. Paul Dossett from Grant Thornton UK LLP will attend the meeting to present the report and answer questions.
- 3.3 Attached at Appendix 2 is a draft letter of representation which should be signed at the meeting.
- 3.4 The Joint Committee's Statement of Accounts for 2010/2011 is attached at Appendix 3.
- 3.5 The accounts must be signed by the Head of Finance (Shared Services) before they are approved by the Committee and, subject to approval, the Chairman of the Committee shall sign and date them at the meeting.
- 3.6 Financial Reporting Standard 18 requires the Committee to confirm that it is satisfied that the accounting policies adopted are the most appropriate.

#### *Key Issues and Interpretation of the Accounting Statements*

- 3.7 The purpose of the Statement of Accounts is to give interested parties an understanding of the Joint Committee's financial position. It also provides an opportunity to compare how the shared services performed financially against the original plan published when setting the budgets in February 2010. Members are referred to the Foreword to the Statement of Accounts.
- 3.8 The Financial Statements have been prepared, for the first time, under International Financial Reporting Standards (IFRS), a new statutory accounting framework which has replaced the United Kingdom Generally Accepted Accounting Principles (UK GAAP).
- 3.9 A draft Annual Governance Statement (AGS) was presented to the Committee and approved on 19 July 2011 (Minute JSS21/11 refers). The AGS has been updated to reflect the current position. It is now included in the Statement of Accounts before the Committee, and has been signed by the Chairman of the Committee and the Chief Executive of Three Rivers District Council as required by proper practice.

#### **Summary of Financial Position**

- 3.10 The table below compares the original estimates for each of the four shared services with the outturn. The total variance between net expenditure and the original budget resulted predominantly from the employment of additional benefit

assessors to address the increased workload resulting from the economic climate.

Service	2010/11 Original Estimate £000s	2010/11 Out-turn £000s	2010/11 Variance £000s
ICT	1,496	1,468	(28)
Finance	1,658	1,611	(47)
Human Resources	751	779	28
Revenues and Benefits	2,612	3,161	549
<b>Total</b>	<b>6,517</b>	<b>7,019</b>	<b>502</b>

3.11 Further analysis and the effect on recharges to both Council's is contained in the Explanatory Foreword to the Statement of Accounts shown in Appendix 3

#### 4. **IMPLICATIONS**

##### 4.1 **Policy**

4.1.1 The recommendations in this report are consistent with the policies of Three Rivers District Council, Watford Borough Council and the Joint Committee.

##### 4.2 **Financial**

4.2.1 Contained in the Statement of Accounts.

##### 4.3 **Legal Issues** (Monitoring Officer)

4.3.1 None specific to this report.

##### 4.4 **Risk Management and Health & Safety**

4.4.1 There are no risks associated with the decision members are being asked to take.

##### 4.5 **Equalities**

###### 4.5.1 *Relevance Test*

Has a relevance test been completed for Equality Impact? No

There is no proposed change to the shared services.

##### 4.6 **Staffing, Accommodation, Community Safety, Sustainability & Environment, Communications & Website and Customer Services**

4.6.1 None Specific

#### **Appendices**

1. Report to those charged with Governance (ISO260) – Grant Thornton – August 2011 (to follow)
2. Draft Letter of Representation (to follow)
3. Statement of Accounts 2010/11 (to follow)

#### **Background Papers**

*The Accounts and Audit (England) Regulations 2011*

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**THREE RIVERS & WATFORD SHARED SERVICE JOINT COMMITTEE****AUDIT PROGRESS REPORT - SEPTEMBER 2011**

<b>Work</b>	<b>Progress</b>
<b>Annual report to those charged with governance (ISA260)</b>	Please see separate agenda item.
<b>Letter of representation</b>	Please see separate agenda item.

**Grant Thornton UK LLP****September 2011**

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# Three Rivers & Watford Shared Services Joint Committee Annual Report to Those Charged With Governance (ISA 260)

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## Contents

1.Executive summary	2
2.Key audit issues	4
3.Value for money	12
<b>Appendices</b>	
A.The reporting requirements of ISA 260	14
B.Audit adjustments	15
C.Action plan	21

# 1. Executive summary

## Purpose of this report

This report has been prepared for the benefit of discussion between Grant Thornton UK LLP and the [Committee] of [Three Rivers & Watford Shared Services Joint Committee] (the Joint Committee). The purpose of this report is to highlight the key issues arising from the Joint Committee's financial statements for the year ending 31 March 2011.

This report meets the mandatory requirements of International Standard on Auditing 260 (ISA 260) to report the outcome of the audit to 'those charged with governance', designated as the Committee. The requirements of ISA 260, and how we have discharged them, are set out in more detail at Appendix A.

The Joint Committee is responsible for the preparation of financial statements which record its financial position as at 31 March 2011, and its income and expenditure for the year then ended. We are responsible for undertaking an audit and reporting whether, in our opinion, the Joint Committee's financial statements present a true and fair view of the financial position.

Under the Audit Commission's Code of Audit Practice we are also required to reach a formal conclusion on whether the Joint Committee has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## Audit conclusions

### Financial statements opinion

We were presented with draft core financial statements on 30 June 2011, in order to meet the 30 June 2011 deadline. The draft financial statements with accompanying notes were presented to the auditors on 14 July 2011. A complete set of working papers were provided in a electronic format during the course of the audit.

The financial statements have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code), based on International Financial Reporting Standards (IFRS).

We have not identified any audit adjustments, subject to the completion of the audit of the accounts, that impact on the Joint Committee's income and expenditure position (comprehensive income and expenditure statement).

The key messages arising from our audit of the Joint Committee's financial statements are:

- the capacity and deliverability of the shared finance function should be assessed going forward to ensure that all deadlines are met; and,
- a robust review of the savings programme is needed given that the Joint Committee has to deliver the same service for £600,000 less in 2011/12.

We anticipate providing an unqualified opinion on the Joint Committee's financial statements, following approval by the Audit Committee on 12 September 2011.

Further details of the outcome of the financial statements audit are given in section 2.

#### **Value for Money Conclusion**

In providing the opinion on the financial statements we are required to reach a conclusion on the adequacy of the Joint Committee's arrangements for ensuring economy, efficiency and effectiveness in its use of resources (the Value for Money Conclusion).

We have completed our assessment of the arrangements the Joint Committee has in place and we are delighted to submit an unqualified value for money conclusion.

Further details of the outcome of our value for money review are given in section 3.

#### **The way forward**

Matters arising from the financial statements audit have been discussed with the Head of Finance. We have made a small number of recommendations, which are set out in the action plan at Appendix C. This has been discussed and agreed with the Head of Finance and the senior finance team.

#### **Use of this report**

This report has been prepared solely for use by the Joint Committee to discharge our responsibilities under ISA 260, and should not be used for any other purpose. We assume no responsibility to any other person. This report should be read in conjunction with the Statement of Responsibilities and the Joint Committee's Letter of Representation.

#### **Acknowledgements**

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Joint Committee's staff.

**Grant Thornton UK LLP**  
**12 September 2011**

## 2. Key audit issues

### Status of the audit

We carried out our audit in accordance with the proposed timetable and deadlines communicated to you in our Audit Approach Memorandum. Our audit is mostly complete although we are finalising our procedures in the following areas (key areas highlighted in blue):

- **audit of comprehensive income and expenditure account and related notes;**
- **audit of the balance sheet and related notes;**
- **audit of the cash flow statement**
- confirmation from legal representatives of any outstanding legal action;
- review of the final version of the financial statements;
- obtaining and reviewing the Joint Committee's letter of representation;
- review of the final version of the Annual Governance Statement; and
- updating our post balance sheet events review, to the date of signing the accounts

We anticipate providing an unqualified opinion on the Joint Committee's financial statements, following approval by the **Joint** Committee on 12 September 2011.

### Matters arising from the financial statements audit

Following certification by the Joint Committee's Responsible Finance Officer on 30 June 2011, we were presented with the core draft financial statements for audit, the complete statement of accounts with related notes to the accounts were presented for audit on 14 July 2011.

### Finance Team capacity

The Joint Committee's arrangements for provision of information to auditors were not as smooth as they could be. The support arrangements, in the absence of the Finance manager being in a position to dedicate the required time to produce the papers, require further strengthening, which exerts undue pressure on the achievement of the national deadline. The response time was impacted due to the Finance manager having to respond to outstanding audit requests on Three Rivers DC and Watford BC

The finance team are preparing the accounts for both Three Rivers DC, Watford BC and the Three Rivers and Watford Shared services for the first time in 2010/11, the same team produced the accounts for Three Rivers DC and Three Rivers and Watford Shared services only in the prior year.

## Matters arising from the financial statements audit (continued)

### Segmental Reporting

Under the requirements of the Code based on IFRS, Joint Committees are required to disclose their business operating segments. An operating segment is a separately identifiable component of the Joint Committee, which earns revenues and incurs expenses, and whose operating results are regularly reviewed by the Joint Committee's chief operating decision maker ("CODM"), to assess the segment's performance and allocate resources. The Joint Committee has correctly prepared the segmental reporting note.

### Page 20 Misstatements

Misstatements that were identified by the management team during the course of the audit and subsequently adjusted are to be provided to the joint committee.

The auditor is required to communicate all uncorrected misstatements, other than those considered to be clearly trivial, to the entity's management and to request that management corrects them

## Evaluation of key controls

### Internal Controls

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.

### Review of IT

We have placed 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.

### Review of internal audit

We periodically review the Internal Audit function for compliance with requirements of the 2006 CIPFA Internal Audit Standards. We have placed reliance on our detailed review of the internal audit functions of Three Rivers DC and Watford BC and concluded that Internal Audit met these requirements.

## Annual Report to Those Charged With Governance (ISA 260)

### Management of the risk of fraud

We have placed reliance on the assurances from the Director of Corporate Resources and Governance of Three Rivers DC and the Head of Strategic Finance at Watford BC and the respective Chairs of the Audit Committee of the Councils in respect of processes in place to identify and respond to the risk of fraud at the Joint Committee.

From these enquiries we have established that the Councils consider there are adequate processes in place to mitigate against the risk of fraud occurring at the Councils and that those charged with governance have sufficient oversight over these processes to give them the assurances they require in this area.

### Annual Governance Statement (AGS)

We have examined the Joint Committee's arrangements and processes for compiling the AGS. In addition, we read the AGS and considered whether the statement is in accordance with our knowledge of the Joint 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 Chief Executive and Leader to sign the statement.

Improvements were suggested to the Three Rivers DC AGS regarding the disclosure of significant control risks completion of the Action to date column and separate disclosure of the risk surrounding IT.

### Next steps

The Joint Shared Services Committee is required to recommend to Joint Committee the financial statements for the year ended 31 March 2011. In forming its conclusions the Committee's attention is drawn to the adjustments to the financial statements and the required Letter of Representation



## 3. Value for money

### Value for money conclusion

In order for us to provide a positive conclusion, the Joint Committee needs to demonstrate proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources.

The Audit Commission Code of Audit Practice 2010 describes the Joint 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

• review regularly the adequacy and effectiveness of these arrangements.

For the year ended 31 March 2011 we are required to give our conclusion based on the following two criteria specified by the Audit Commission:

- the Joint Committee has proper arrangements in place for securing financial resilience

- the Joint Committee has proper arrangements for challenging how it secures economy, efficiency and effectiveness

### Matters arising from the review of Value for Money

Key outcomes from our local programme of work are detailed below. Where we have identified areas of weakness in the Joint Committee's arrangements, recommendations to support improvements have been made and are detailed in Appendix C of this report.

### Securing Financial Resilience

We have completed a review to assess whether the Joint Committee has robust systems and processes in place to effectively manage its financial risks and opportunities and secure a stable financial position. We also have considered whether the Joint Committee's financial position should enable it to continue to operate for the foreseeable future.

To support our conclusion against this criteria we have undertaken a review which considered the Joint Committee's arrangements against three key areas:

- Strategic financial planning
- Financial governance
- Financial control

We have placed reliance on the financial resilience work performed at the two Council's in order to provide our conclusion.

The main issue surrounding the financial resilience of the shared service function is that the service is currently not providing the savings that were originally anticipated when first set up. A comparison of expenditure against the revised budget of £6.873m delivered a £146,000 overspend. However, when the original budget was submitted in December 2009, the original budget was set at £6.457m and comparison against the actual expenditure of £7.019m results in a £500,000 overspend for 2010/11.

The shared service budget for 2011/12 has been set at £6.415m, which results in the shared service having to deliver a challenging £600,000 of savings on the 2010/11 actual cost without impacting service performance.



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

The overspend will not impact on our conclusion on the financial resilience of the joint committee but it is a matter that should be closely monitored in the forthcoming year. A recommendation has been raised at Appendix C.

### **Securing Economy, Efficiency and Effectiveness**

We have reviewed whether the Joint Committee has prioritised its resources to take into account budget constraints and whether it has achieved cost reductions and improved productivity and efficiencies.

Our overall conclusion is that arrangements are adequate although further work will be needed to significantly enhance IT arrangements and to fully realise the shared service benefit from the shared services arrangement currently in place.

### **Follow Up of prior year assessment**

There were no areas that were deemed inadequate last year regarding the Joint Committee's arrangements.

### **Overall conclusion**

The overall conclusion is that we are able to issue an unqualified opinion.

# Appendices

## A. The reporting requirements of ISA 260

### Purpose of report

The purpose of this report is to highlight the key issues affecting the results of the Joint Committee and the preparation of the Joint Committee's financial statements for the year ended [31 March 2011].

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

We would like to 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 Joint 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 Joint Committee arising under the terms of our audit engagement.

The contents of this report should not be disclosed with third parties without our prior written consent.

### 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 report is appropriate, having regard to their knowledge of the particular circumstances.

### Clarification of the 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 Joint 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 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.

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

### Independence and robustness

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

- the appointed audit partner and audit manager are subject to rotation every seven years;
- Grant Thornton, its partners and the audit team have no family, financial, employment, investment or business relationship with the Joint Committee;

Our fees paid by the Joint Committee do not represent an inappropriate proportion of total fee income for either the firm, office or individual partner; and

- at all times during the audit, we will maintain a robustly independent position in respect of key judgement areas

### Audit and non-audit services

Services supplied to the Joint Committee for the year ended 31 March 2011 are as follows:

£

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#### Audit services

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Statutory audit 10,000

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### Audit quality assurance

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

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

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

We would be happy to discuss further the firm's approach to quality assurance.

## B. Audit adjustments

### Adjustment type

**Misstatement** - A change in the value of a balance presented in the financial statements

**Classification** - The movement of a balance from one location in the accounts to another

**Disclosure** - A change in the way in which a balance is disclosed or presented in an explanatory note

### Adjustments to the financial statements

Adjustment type	£000	Account balance	Impact on financial statements
		To be provided	

Unprocessed adjustments to the financial statements

Adjustment type2022	£000	Account balance	Impact on financial statements
		To be provided	

## C. Action plan

**Priority**

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

Rec No.	Recommendation	Priority	Management Comments	Implementation date and responsibility
1	Strengthen the financial reporting to include actions developed in response to the reported variances on the comparison of expenditure to budget.	Medium		



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

..... 2011

Dear Sirs

**Financial Statements for the Year Ended 31 March 2011**

We confirm to the best of our knowledge and belief that the following representations are made on the basis of appropriate enquiries of other officers and members with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you in respect of your audit of the above financial statements

- i We acknowledge our responsibilities for ensuring that financial statements are prepared which give a true and fair view of the financial position of the Joint Committee in accordance with the Code of Practice on Local Authority Accounting in the UK (the Code) and for making accurate representations to you.
- ii As far as we are aware:
  - a there is no relevant audit information of which you are unaware
  - b we have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that you are aware of that information
- iii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.
- iv All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Joint Committee have been properly recorded in the accounting records and reflected in the financial statements.
- v All other records and related information, including minutes of all Joint Committee and Committee meetings, have been made available to you
- vi We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to the Joint Committee's particular circumstances for the purpose of giving a true and

fair view. Those estimates reflect our judgment based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.

- vii Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS 19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded)
- ix The financial statements are free of material misstatements, including omissions
- x We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud
- xi 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
- xii We are not aware of any irregularities, including fraud, involving management or employees of the Joint Committee. We are not aware of any instances of actual or possible non-compliance with laws, regulations, contracts, agreements or the Joint Committee's constitution that might result in the Joint Committee suffering significant penalties, other loss or affecting the financial statements. No allegations of such irregularities, including fraud, or such non-compliance have come to our notice
- xiii We have disclosed to you all related parties and there were no transactions with officers, members or other related parties which should be disclosed in the financial statements except as disclosed in note XX
- xiv Except as stated in the financial statements
  - a there are no unrecorded liabilities, actual or contingent
  - b none of the assets of the Joint Committee has been assigned, pledged or mortgaged
  - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure
- xv There were no transactions, arrangements or agreements to provide credit facilities, (including loans, quasi-loans or credit transactions and guarantees to provide security for such matters), involving directors or officers that should be disclosed in the financial statements.
- xvi There are no claims, legal proceedings or other matters which may lead to a loss falling on the Joint Committee or which could result in the creation of an unrecorded asset, that should be disclosed in the financial statements

- xvii The Joint Committee has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance
- xviii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xix No significant events having an effect on the financial position of the Joint Committee have taken place since the balance sheet date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto
- xviii 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.
- xix We have compiled our financial statements in accordance with IAS 18, Revenue. We have recognised income when we have obtained the right to consideration following the fulfilment of contractual obligations concerning the supply of goods and services
- xx The Joint Committee has determined the fair values of derivatives and other financial instruments through the calculation of the present value of the cash flows that will take place over the remaining term of the instruments using assumptions as detailed in note XX to the financial statements.
- xxi We have disclosed to you the likely outcomes of litigation or uncertain situations, which have been disclosed in the financial statements where appropriate.
- xx We have not adjusted the misstatements brought to our attention on the audit differences and adjustments summary, attached to the ISA 260 Report to those charged with governance, as they are immaterial to the results of the Joint Committee and financial position at the year-end.
- xxi There have been no restatements made to correct a material misstatement in prior period financial statements that affect the comparative information.

**Approval**

The approval of this letter of representation was minuted by the Joint Committee at its meeting on 12 September 2011

Signed on behalf of .....

Joint Committee.

Name .....

Name.....

Position .....

Position .....

Date .....

Date .....



The Three Rivers & Watford  
Shared Services Joint Committee

Statement Of Accounts  
2010/2011

# 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 2010/11.

Page	Contents
<b>1</b>	<b>The Comprehensive Income and Expenditure Account</b> This account summarises the resources that have been generated and consumed in providing and managing the shared services during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.
<b>1</b>	<b>Statement of Movement in Reserves</b> 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>2</b>	<b>The Balance Sheet</b> The Balance Sheet represents the Council's overall financial position. In addition to containing the revenue balances and reserves at the Council's disposal, it shows its long-term indebtedness and the fixed and net current assets employed in its operations.
<b>2</b>	<b>The Cash Flow Statement</b> The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
<b>3</b>	<b>Notes to the Core Financial Statements</b> These include the Statement of Accounting Policies which explains the basis upon which the figures in the accounts have been prepared. Further explanatory notes explain in more detail the contents of the core financial statements.
<b>7</b>	<b>The Statement of Responsibilities for the Statement of Accounts</b> This statement sets out the respective responsibilities of the Joint Committee and its Finance Officer for the Statement of Accounts.
<b>8</b>	<b>Annual Governance Statement</b> This statement is required by <i>The Accounts and Audit Regulations (England) 2003</i> .

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.

## EXPLANATORY FOREWORD

### 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 2010/11.

### 4. Revenue Activities

#### **Revenue Out-turn 2010/11**

Revenue expenditure is the day-to-day expenditure incurred by the Councils to deliver shared services. Total revenue expenditure amounted to £7.02m. 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:-

	2010/11 Original Estimate £000s	2010/11 Out-turn £000s	2010/11 Variance £000s
ICT	1,496	1,468	(28)
Finance	1,658	1,611	(47)
Human Resources	751	779	28
Revenues & Benefits	2,612	3,161	549
	6,517	7,019	502

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

	2010/11 Original Estimate £000s	2010/11 Out-turn £000s	2010/11 Variance £000s
Employees	5,326	5,818	492
Transport	58	47	(11)
Supplies and Services	1,002	1,072	70
Agency and Contracted Income	136 (5)	94 (12)	(42) (7)
	6,517	7,019	502

## EXPLANATORY FOREWORD

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

	2010/11 Original Estimate £000s	2010/11 Out-turn £000s	2010/11 Variance £000s
Three Rivers District Council	2,568	2,741	173
Watford Borough Council	3,949	4,278	329
	<u>6,517</u>	<u>7,019</u>	<u>502</u>

The variance between the expenditure and the original budget results predominantly from the employment of additional benefits assessors costing £562,000 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 2010/11 through to 2013/14 to the Joint Committee in December 2010. 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.

### 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  
30 June 2011



## 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.

2009/10 Net Expenditure /Income £000s		2010/2011		
		Gross Expenditure £000s	Gross Income £000s	Net Expenditure /(Income) £000s
	<b>Services</b>			
1,336	Local Tax Collection	1,335	0	1,335
1,533	Housing Benefits	1,826	0	1,826
4,338	Central Support Services (HR, Finance & ICT)	3,871	(13)	3,858
7,207	<b>NET COST OF SERVICES/ NET OPERATING EXPENDITURE</b>	7,032	(13)	7,019
(2,848)	Income from Three Rivers District Council			(2,741)
(4,359)	Income from Watford Borough Council			(4,278)
0	<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>			0

## STATEMENT OF MOVEMENT IN RESERVES

The 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.

## BALANCE SHEET AS AT 31 MARCH 2011

31 March 2010 £000s		Note	31 March 2011 £000s	
			£000s	£000s
	<b>Current Assets</b>			
77	Debtors	5	463	
47	Cash & Bank (Three Rivers DC)		113	
0	Cash & Bank (Watford BC)		68	644
124				
	<b>Current Liabilities</b>			
(94)	Creditors	6	(644)	
(30)	Bank Overdrawn (Watford BC)		0	(644)
0	<b>Total Assets Less Liabilities</b>			0
	<b>Financed By</b>			
0	Revenue Fund Balance			0

**Brian White**  
 Chairman  
 Three Rivers and Watford  
 Shared Services Joint Committee  
 12 September 2011

**Alan Power**  
 Head of Finance  
 Shared Services  
 12 September 2011

## CASH FLOW STATEMENT

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

2009/2010 £000s		2009/2010 £000s
	<b>Revenue Activities</b>	
	<b>Cash Outflows</b>	
7,302	Operating Cash Payments	6,482
	<b>Cash Inflows</b>	
(7,319)	Cash Received for Goods And Services	(6,646)
(17)	<b>(Increase)/Decrease In Cash</b>	(164)

# 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 Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority 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 2010/11 and the Best Value Accounting Code of Practice 2010/11, 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:

<b>SERVICE AREA</b>	<b>2010/11 £000</b>
Information Technology	1,468
Finance	1,611
Human Resources	779
Revenues & Benefits	3,161
<b>Net Shared Services</b>	<b>7,019</b>
<b>FUNDING</b>	
Three Rivers District Council Contribution	(2,741)
Watford Borough Council Contribution	(4,278)
<b>Total Funding</b>	<b>(7,019)</b>
Net Expenditure Less Funding	0
<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. The income received in 2010/11 was £5,200.

# 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 31 March 10 £000s		Balance at 31 March 11 £000s
77	Sundry Debtors	463
77		463

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 31 March 10 £000s		Balance at 31 March 11 £000s
94	Sundry and Other Creditors	644
94		644

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

### 7. Disclosure of Audit Costs

In 2010/11 the Joint Committee incurred the following Audit Commission fees relating to external audit

2009/10 £000s		2010/11 £000s
11	Audit Fees	11
11		11

### 8. Authorisation Of The Accounts For Issue

The Statement of Accounts will be authorised for issue by Alan Power, the Shared Services Finance Officer in June 2011

### 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 until 30 June 2011.

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

The CIPFA/LASAAC Code of Practice on Local Authority Accounting in The United Kingdom reflects the requirements of the Accounts and Audit Regulations 2003 and 2005. 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.

**Councillor Brian White**  
**Chairman**  
**Three Rivers and Watford Shared Services Joint Committee**  
**12 September 2011**

### **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 2011 and its income and expenditure for the year ended 31 March 2011.

**Alan Power**  
**Finance Officer**  
**Head of Finance**  
**Shared Services**  
**12 September 2011**

## 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 framework 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 2011 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>
Members should consider reintroducing an Annual Report	Medium	Management Board	No action to date	✘	March 2012
The Business Continuity Plan should be regularly tested and in include shared services	Medium	Emergency Planning & Risk Manager	Plan last successfully tested in February 2011 and outcomes reported to Management Board. Next test due in February 2012	✓	March 2012
Members should review building control procedures in the light of new shared service arrangements	Medium	Chief Building Control Surveyor	Report to Executive Committee on 5 September 2011 concerning building control shared service	✘ (part)	March 2012
The Audit Committee should continue to receive progress reports from officers on the implementation of internal audit recommendations	High	Heads of Service	Reports are made to each Audit Committee.	✓	March 2012
Members should monitor the progress towards achieving the future cost reductions included in the budget	High	Management Board	Separate section on progress included in budget monitoring page on the internet.	✓	March 2012

## ANNUAL GOVERNANCE STATEMENT

<i>Action</i>	<i>Priority</i>	<i>Responsibility</i>	<i>Action to date / Action Required</i>	<i>Resolved</i>	<i>Original Implement- ation Date</i>
Members should monitor the major changes brought about by the introduction of shared services and seek assurance that the weaknesses identified in revenues and benefits procedures, reconciliations, and income management are addressed	High	Director of Corporate Resources & Governance	As at 30 August 2011: Continuous monitoring is carried out by the Joint Shared Services Committee - see agendas and minutes of their meetings (on the internet). The Revenues and Benefits service is working through an agreed action plan to improve its procedures and ensure reconciliations are up to date. A new income management system is due for implementation in October 2011. An update on progress will be provided to the Joint Committee on 12 September 2011 and the Audit Committee on 10 November 2011.	<b>x (part)</b>	March 2012
Members should specifically seek assurance that the weaknesses identified in ICT provision are addressed	High	Director of Corporate Resources & Governance	Priorities for ICT provision are being formulated. These initially involve ensuring back-ups are taken, implementing storage area networks at Watford and Rickmansworth and upgrading infrastructure including servers where appropriate. An update on progress will be provided to the Joint Committee on 12 September 2011 and the Audit Committee on 10 November 2011.	<b>x (part)</b>	March 2012

# ANNUAL GOVERNANCE STATEMENT

## 5.2 Watford Borough Council

The Council proposes 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.

No	Issue	Action	Lead	Update
1	Revenues and Benefits reconciliations within Academy and between Academy and the Cedar Finance Management System urgently need to be addressed both for 2010/2011 and going forward	Staff resource needs to be dedicated to carrying out these reconciliations if the Council is to close its accounts on time and using actual outturn figures.  BY: Immediate	Head of Revenues and Benefits Shared Services.	Issues that were identified at an early date were not progressed until too late in the financial year.  This is a major concern both reputationally and financially. External help has been engaged and this is now up to date.
2	Revenues and Benefits received a detailed Health Check report in Summer 2010. A number of the recommendations have still to be achieved.	Staff resource (or external agency help) needs to be dedicated to achieving the majority of recommendations (it is accepted that some recommendations are of a longer duration). BY: Immediate	Head of Revenue and Benefits Shared Services	Progress is slow and results in an 'average' service at too high a cost.
3	The procedures for changing supplier bank account details need to be urgently reviewed to minimise the risk of external fraud.	The recording of all supplier details for public scrutiny (as required by the Secretary of State for local government) has significantly increased the chances of external fraud. BY: 31/5/11	Head of Finance Shared Services	This has been achieved but may have the consequence of slowing down the payment of invoices as supplier details are double checked.
4	The ICT Operating platforms need to be more robust.	The infrastructure is unreliable and has caused considerable downtime. BY: Immediate	Head of ICT Shared Services	An external review/report has been received and an Action Plan is being developed.

Signed \_\_\_\_\_  
Brian White

Chairman of the Three Rivers and Watford  
Shared Services Joint Committee

Signed \_\_\_\_\_  
Dr Steven Halls

Chief Executive  
Three Rivers District Council

Date 12 September 2011

## 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 except Housing Revenue.

**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.

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## THREE RIVERS & WATFORD JOINT COMMITTEE

**Date of meeting:** 12/09/11

PART A

AGENDA ITEM

**6**

**Title:** ICT PROJECTS AND OPTIONS APPRAISAL UPDATE

**Report of:** Avni Patel – Head of ICT

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1. **SUMMARY**

- 1.1 This report outlines the project priorities for ICT this financial year, the work that is in progress to prioritise and cost projects for next year and to give Members an update on the progress with the options appraisal for alternative ICT service delivery.

**Contact Officer:**

For further information on this report please contact:

Avni Patel – Head of ICT

telephone number: 01923 278457

email: [avni.patel@watford.gov.uk](mailto:avni.patel@watford.gov.uk)

**Report approved by:**

David Gardner – Director of Corporate Resources & Governance – Three Rivers D.C.

Tricia Taylor – Executive Director Resources – Watford Borough Council

## **1.0 ICT PROJECTS**

### **1.1 Background**

1.1.1 As Joint Committee Members are aware, there are currently a large number of projects being requested for progression and delivery by the ICT team.

The ICT team also needs to address the recommendations made by the recent ICT review conducted by Actica Consulting. This highlighted a number of areas where the ICT infrastructure needs to be improved in order to stabilise the ICT systems provided to both WBC and TRDC.

The ICT team is also working on the options appraisal and business case development for some or all of the ICT services provided to the Councils to be delivered by alternative methods.

1.1.2 A joint ICT steering group consisting of WBC and TRDC heads of service and directors was set up in July 2011 been set up in order to make best use of ICT resources. The group noted that we do not want to invest heavily in hardware until we are certain that we will be retaining ICT assets once the new model is in place.

It has been agreed by the ICT Steering Group to focus on delivering only the essential infrastructure improvements until the future of the delivery of the shared ICT service has been decided.

1.1.3 The ICT Steering Group has met twice and the priority and resource required to complete the project programme for 11/12 have now been agreed.

1.1.4 The next meeting, to be scheduled at the end of September will focus on prioritising projects for 12/13 after having reviewed the PIDs supplied by project leads/sponsors. This will be reported along with cost implications to the November Joint Committee meeting.

### **1.2 Infrastructure Priorities**

1.2.1 It is clearly not possible to complete all projects requested from ICT in the current timescales with the current level of resource within the establishment.

In addition, there is need to focus on the creation of a stable environment. Once this has been completed we can plan subsequent remedial work and be in the position to deliver projects.

1.2.2 A paper outlining a proposal to improve the infrastructure for both authorities was taken to the Joint Management Team meeting on 7<sup>th</sup> September 2011.

Here, we proposed that infrastructure work was split into 2 stages, with Stage 1 comprising of critical work required to provide stability to the infrastructure at both Councils. The resources and effort required for this work have been identified and are within budget.

The estimated time to complete Stage 1 is 12 weeks, during which time the ICT team requested a partial freeze on infrastructure changes. This means that non-essential work on the Council's infrastructure would not be undertaken during this period.

Stage 2 will be to complete essential remedial work identified from the activities in Stage 1, as well as progressing other infrastructure improvements identified in the



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Actica Infrastructure review. The full scope of this will be clearer once Stage 1 is complete at which point spare capacity in the infrastructure team will be directed towards this work.

Joint Leadership Team have agreed this in principle pending a detailed project plan for each work stream. We anticipate that Stage 1 work will begin later this month.

Details of Stage 1 and Stage 2 can be found in the first 2 rows of Appendix 1.

- 1.2.3 Although non-essential changes to infrastructure will be frozen during the 12 week period, non-infrastructure work, that is being undertaken by the ICT Business Team relating to projects will continue.

Key projects for both authorities will continue and the major project for delivery of the new Income Management system for both councils will still be delivered in October 2011 as planned.

Essential changes currently identified such as upgrades due to legislative requirements will be met using existing budget and supplier assistance where possible, otherwise these will be provided by internal infrastructure resource via overtime and weekend working.

It is also proposed that during this period, services perform preparatory work for individual client project activities not dependent on the infrastructure e.g. process mapping, project planning, procurement.

## 2.0 **ICT SERVICE DELIVERY**

- 2.1 We have appointed Actica Consulting for the delivery of an options appraisal and requirements specification, which we would use within a procurement process should this be required. The project is now fully underway and a kick off meeting was held on August 19 2011, to agree the approach to the project.

The Project Initiation Document is in progress, as well as the gathering of all required information. Keith Thomas (Actica Consulting) has begun the assessment of the market and has received staffing information from HR as well as service related information from the ICT Business Manager.

This is on track, and the expected delivery of the options appraisal and outline business case is end of October 2011, and Joint Committee will be updated with the outcome of this at the November meeting.

A communication plan and roadmap of work relating to staff consultation and procurement is also being developed.

DRAFT

**Appendix 1**  
Projects List 2011\_12.xls



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