

## 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:

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#### **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*