



The Three Rivers & Watford  
Shared Services Joint Committee

Statement Of Accounts  
2009/2010

# THE THREE RIVERS AND WATFORD SHARED SERVICES JOINT COMMITTEE

## STATEMENT OF ACCOUNTS 2009/2010

### EXPLANATORY FOREWORD

#### 1. Introduction

The purpose of the Statement of Accounts is to provide information to interested parties on the ways the Three Rivers and Watford Shared Services Joint Committee has utilised financial and other resources available to it in the provision of 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 and as such, there are no comparative figures for the previous year.

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 2009/10.

Page	Details
1	<b>Statement of Accounting Policies</b> The statement explains the basis upon which the figures in the accounts have been prepared. Explanatory notes are appended to the accounts where appropriate.
2	<b>Income and Expenditure Account</b> The account summarises the resources that have been generated and consumed in providing services and managing the Council 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.
2	<b>Statement of Total Recognised Gains and Losses</b> This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and the re-measurement of the net liability to cover the cost of retirement benefits.
3	<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.
3	<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.
4	<b>Notes to the Core Financial Statements</b> These notes explain in more detail the contents of the core financial statements above.
6	<b>The Statement of Responsibilities for the Statement of Accounts</b> This statement sets out the respective responsibilities of the Council and its Director of Corporate Resources and Governance for the Statement of Accounts.
7	<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.

## 2. Accounting Framework

The Joint Committee is obliged to comply with an accounting framework backed by legislation. The Chartered Institute of Public Finance and Accountancy produces a Statement of Recommended Practice (SORP) which reflects the statutory requirements.

## 3 Changes in Functions

There have been no significant changes in functions of Shared Services during 2009/10.

## 4. Revenue Activities

### *Revenue Out-turn 2009/2010*

Revenue expenditure is the day-to-day expenditure incurred by the Councils to deliver shared services. Total revenue expenditure amounted to £7.2m. 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 revised budget with the out-turn for each of the shared services:-

	2009/2010 Revised Estimate £000s	2009/2010 Out-turn £000s	2009/2010 Variance £000s
ICT	1,802	1,796	(6)
Finance	1,681	1,698	17
Human Resources	823	844	21
Revenues & Benefits	2,781	2,869	88
	<u>7,087</u>	<u>7,207</u>	<u>120</u>

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

	2009/2010 Revised Estimate £000s	2009/2010 Out-turn £000s	2009/2010 Variance £000s
Employees	5,548	5,564	16
Premises	0	2	2
Transport	52	28	(24)
Supplies and Services	1,166	1,175	9
Agency and Contracted Income	543 (221)	628 (189)	85 31
	<u>7,087</u>	<u>7,207</u>	<u>120</u>

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

	2009/2010 Revised Estimate £000s	2009/2010 Out-turn £000s	2009/2010 Variance £000s
Three Rivers District Council	2,797	2,848	51
Watford Borough Council	4,291	4,359	68
	<u>7,087</u>	<u>7,207</u>	<u>120</u>

The variance between the expenditure and the revised budget agreed in December 2009 results predominantly from the employment of additional benefits assessors to address an increasing workload.

## 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 net expenditure for the three financial years from 2010/11 to the Joint Committee in December 2009. 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 Service 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 Audit Commission 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  
 28 June 2010

# 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. General Principles

The Accounts have been prepared in accordance with *The Accounts and Audit Regulations 2003* and *The Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (SORP)* issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) together with guidance notes issued by CIPFA on the application of Accounting and Financial Reporting Standards (FRS).

## 2. Debtors and Creditors, Income and Expenditure

The accounts of the Council are shown on an accruals basis in accordance with the SORP. 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.

## 3. Support Services

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

## 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.

## 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.

## 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.

	<b>2009/2010</b>		
	<b>Gross Expenditure £000s</b>	<b>Gross Income £000s</b>	<b>Net Expenditure /(Income) £000s</b>
<b>Services</b>			
Local Tax Collection	1,490	(154)	1,336
Housing Benefits	1,533	0	1,533
Central Support Services (HR, Finance & ICT)	4,373	(35)	4,338
<b>NET COST OF SERVICES/</b>	<b>7,396</b>	<b>(189)</b>	<b>7,207</b>
<b>NET OPERATING EXPENDITURE</b>			
Income from Three Rivers District Council			(2,848)
Income from Watford Borough Council			(4,359)
<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>			<b>0</b>

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Joint Committee for the year and shows the aggregate increase in its net worth. There are no recognised gains or losses for the Joint Committee

## BALANCE SHEET AS AT 31 MARCH 2010

	Note	31 March 2010	
		£000s	£000s
<b>Current Assets</b>			
Debtors	3	77	
Cash & Bank (Three Rivers District Council)		47	124
<b>Current Liabilities</b>			
Creditors	4	(94)	
Bank Overdrawn (Watford Borough Council)		(30)	(124)
<b>Total Assets Less Liabilities</b>			0
<b>Financed By</b>			
Revenue Fund Balance			0



**Andy Wylie**  
 Chairman  
 Three Rivers and Watford  
 Shared Services Joint Committee  
 Date: 30 September 2010



**Alan Power**  
 Head of Finance  
 Shared Services

Date: 30 September 2010

## 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
<b>Revenue Activities</b>	
<b>Cash Outflows</b>	
Operating Cash Payments	7,302
<b>Cash Inflows</b>	
Cash Received for Goods And Services	(7,319)
<b>(Increase)/Decrease In Cash</b>	(17)

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 1. Local Authorities Goods and Services Act 1970

The Shared Service provides HR support to the West Herts Crematorium Joint Committee. The income received in 2009/10 was £5,200.

## 2. 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.

## 3. Debtors

	<b>Balance at 31 March 2010 £000s</b>
Sundry Debtors	77
	77

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

## 4. Creditors

	<b>Balance at 31 March 2010 £000s</b>
Sundry and Other Creditors	94
	94

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

## 5. Disclosure of Audit Costs

In 2009/10 the Joint Committee incurred the following Audit Commission fees relating to external audit

	<b>2009/2010 £000s</b>
Audit Fees	11
	11

## 6. Authorisation Of The Accounts For Issue

The Statement of Accounts was authorised for issue by Alan Power, the Shared Services Finance Officer in June 2010.

## 7. 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 2010.

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The CIPFA/LASAAC *Code of Practice on Local Authority Accounting in The United Kingdom* (the Code of Practice) reflects the requirements of the *Accounts and Audit Regulations 2003 and 2005 respectively*. The Joint Committee must provide a Statement of Responsibilities for the Statement of Accounts which sets out the responsibilities of the Joint Committee and the Finance 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
- (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 Andy Wylie**  
**Chairman of Three Rivers and Watford**  
**Committee Shared Services Joint Committee**  
**Date: 30 September 2010**

### 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 2010 and its income and expenditure for the year ended 31 March 2010.



**Alan Power**  
**Finance Officer**  
**Head of Finance**  
**Shared Services**

**Date: 30 September 2010**

# ANNUAL GOVERNANCE STATEMENT

## 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 regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 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 2010 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 Council's 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.

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>
The Business Continuity Plan should be regularly tested and particularly in respect of Shared Services	Medium	Emergency Planning & Risk Manager		✘	March 2011
Committees should undertake periodic reviews of their own effectiveness.	Medium	Democratic Services Manager		✘	March 2011
The Audit Committee should continue to receive progress reports from officers on the implementation of internal audit, external audit and other inspectors' recommendations.	High	Heads of Service		✘	March 2011
The introduction of new International Financial Reporting Standards should be monitored by members.	High	Head of Finance		✘	March 2011

## 5.2 Watford Borough 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.

No.	Issue	Action	Lead	Update
1	Revenues and Benefits reconciliations between ICT systems urgently need to be addressed both for 2009/2010 and going forward.	A consultant has been engaged to undertake a comprehensive 'health check' into all aspects of the revenues and benefits service. This has identified further work needing to be carried out following an initial review by Capita Academy external consultants which identified a number of issues associated with the transfer of data from the Civica system to the Academy system. Most of these have now been actioned.	Head of Revenues and Benefits Shared Services.	Report to be issued by the middle of August 2010. A detailed Action Plan to be produced by end of August and to be reported to the Shared Services Joint Committee in September 2010. Internal Audit will monitor achievement against action plan target dates.
2	During 2009/10 a new Revenues and Benefits computer system, Academy, was implemented. During final accounts closedown differences were found in the balances carried forward from the old Civica system and those brought forward into Academy due to inadequate reconciliation of balances on system transfer.	Significant staff resource has been dedicated to identifying the differences, during final accounts closedown and this has been augmented by the engagement of Capita external consultants.	Head of Revenue and Benefits Shared Services/ Head of Finance Shared Services	The difference of £555k of credit balances not brought forward into the Academy system has been identified to individual accounts and action is now being taken to transfer these onto Academy and process them accordingly. This must be actioned by 30th September 2010..

3	The controls in place for the monitoring of the payroll service provided by NorthgateArinso require strengthening to ensure that quality and standards in the payment of employees is maintained. A particular issue has related to incorrect data relating to the P11D returns. Changes of key personnel at NorthgateArinso has resulted in poor performance and penalty clauses within the contract are due to be activated.	Officers are in the process of producing an action plan to ensure that suitable controls are implemented to rectify inaccuracies since the commencement of the contract in September 2009.	Head of Human Resources Shared Services	Action plan to be implemented by the end of September 2010
4	Problems with the Microsoft Exchange and with the age of Watford's Storage Area Network (SAN) resulted in considerable downtime and loss of service.	The Exchange issue has been resolved and a procurement exercise is currently in progress with a view to replace the SAN by March 2011.	Head of ICT Shared Services	Tenders for the SAN are due to be received by the end of August 2010.

Signed   
 \_\_\_\_\_  
 Andy Willie

Chairman of the Three Rivers and Watford Shared Services Joint Committee

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

Chief Executive  
 Three Rivers District Council

Date: 30 September 2010

## **Independent auditor's report to the Members of The Three Rivers & Watford Shared Services Joint Committee**

### **Opinion on the statement of accounts**

We have audited the Joint Committee statement of accounts and related notes of The Three Rivers & Watford Borough Joint Committee for the year ended 31 March 2010 under the Audit Commission Act 1998. The statement of accounts comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes. These statement of accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of The Three Rivers & Watford Borough Joint Committee in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Joint Committee, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Responsible Financial Officer and auditor**

The Responsible Financial Officer's responsibilities for preparing the statement of accounts in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Joint Committee Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the statement of accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the statement of accounts give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Joint Committee Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Joint Committee and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the statement of accounts. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Joint Committee's corporate governance procedures or its risk and control procedures.

We read other information published with the statement of accounts, and consider whether it is consistent with the audited statement of accounts. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts. Our responsibilities do not extend to any other information.

## **Basis of audit opinion**

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Joint Committee in the preparation of the statement of accounts and related notes, and of whether the accounting policies are appropriate to the Joint Committee's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the statement of accounts and related notes.

## **Opinion**

In our opinion the Joint Committee statement of accounts give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Joint Committee Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Joint Committee as at 31 March 2010 and its income and expenditure for the year then ended.

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

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

The Joint 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 regularly to review the adequacy and effectiveness of these arrangements.

### **Auditor's Responsibilities**

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Joint Committee 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 in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. We report if significant matters have come to our attention which prevent us from concluding that the Joint Committee has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Joint Committee's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, we are satisfied that, in all significant respects, The Three Rivers & Watford Borough Joint Committee made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

## Certificate

We certify that we have completed the audit of the accounts 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

30 September 2010

# 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.

## **Asset Register**

A list of all fixed assets such as land, houses, other buildings, parks, vehicles and computers.

## **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.

## **Capital Expenditure**

Expenditure incurred in relation to fixed assets. Expenditure may be classified as capital where it enhances the related property, where enhancement is defined as an action which either -

Lengthens the asset's useful life, or

Increases the asset's open market value, or

Increases the extent to which the asset may be used for the purposes of the local authority.

## **Central 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.

## **CIPFA**

The Chartered Institute of Public Finance and Accountancy. It is the professional body for public sector accountants.

## **Contingency**

A sum included in the revenue budget to cover unexpected expenditure during the accounting period. An example of such an event would be an exceptional price increase not anticipated at the time the budget was constructed.

**Corporate and Democratic Core**

Comprises the activities engaged in specifically as an elected multi-purpose authority. They are over and above those which would be incurred by a series of independent single-purpose body managing the same 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.

**DCLG**

The Department for Communities and Local Government.

**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.

**Depreciation**

The theoretical loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

**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.

**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 Contributions to Capital Outlay (RCCO)**

The use of revenue resources to finance capital expenditure. Also referred to as direct revenue financing or capital expenditure financed from the revenue account.

**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.

**Revenue Support Grant**

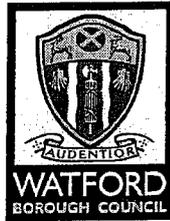
The Government Grant provided by DCLG, which is based on the Government's assessment as to what should be spent on local services. The amount is fixed in advance for each financial year.

**Stocks**

Comprise the following categories; goods or other assets purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances and finished goods.

**UK GAAP**

The Generally Accepted Accounting Principles in the UK are the overall body of regulation establishing how company accounts must be prepared in the UK.



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

My Ref : DCRG/AP  
Your Ref :  
Date : 13 September 2010  
Contact : Alan Power  
Tel No : 01923 727196  
Email Add : [alan.power@threerivers.gov.uk](mailto:alan.power@threerivers.gov.uk)  
Department : Shared Services Finance

Dear Sirs,

### Financial Statements for the Year Ended 31 March 2010

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 SoRP 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 2009 SoRP, 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

## Approval

The approval of this letter of representation was minuted by the Joint Committee at its meeting on 13 September 2010.

Signed on behalf of The Three Rivers and Watford Joint Committee.



Name: Tricia Taylor

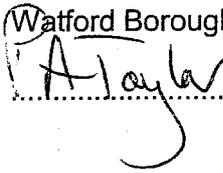
Name: David Gardner

Position: Executive Director – Resources

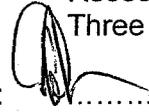
Position: Director of Corporate  
Resources and Governance  
Three Rivers District Council

Watford Borough Council

Date:

 14/09/10 .

Date:

 14/9/10  
30/9/10