

SHARED SERVICES JOINT COMMITTEE

Monday, 20th June 2011 at 3.30 pm in the **Cross Room**, Civic Centre, West Paddock, Leyland

AGENDA

1. **Appointment of Chairman**
2. **Appointment of Vice-chairman**
3. **Apologies for Absence**
4. **Declarations of Interest**

Members are requested to indicate at this stage in the proceedings any items on the agenda in which they intend to declare an interest. Members are also reminded that if the interest is prejudicial they may make representations on the item but then must leave the meeting whilst the item is discussed.

5. **Minutes of the Last Meeting**

Held on Monday, 24th January, 2011, to be signed as a correct record.

<http://agenda.southribble.gov.uk/akssribble/users/public/admin/kab12.pl?cmte=SSJ&meet=12&arc=14>

6. **Financial & Assurance Shared Services Annual Report 2010/11 (Pages 1 - 30)**
7. **New External Audit Arrangements**
 - a) **Appointment of External Auditor (Pages 31 - 34)**
 - b) **Shared Services Annual Audit Return 2010/11 (Pages 35 - 42)**
8. **Forward Plan (Pages 43 - 44)**

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| <i>REPORT TO</i> | <i>DATE OF MEETING</i> |
|---------------------------------|------------------------|
| Shared Services Joint Committee | 20/06/10 |

Report template revised June 2008



| <i>SUBJECT</i> | <i>PORTFOLIO</i> | <i>AUTHOR</i> | <i>ITEM</i> |
|---|------------------|------------------------|-------------|
| Financial & Assurance Shared Services Annual Report 2010-11 | N/A | G Barclay & S Guinness | 6 |

SUMMARY AND LINK TO CORPORATE PRIORITIES

This report summarises and explains the content of the attached Annual Report for the Financial and Assurance Shared Services Partnership covering the second complete financial year of its operation.

The Committee has received regular performance reports during the course of 2010/11 highlighting the actions taken to deliver the planned service improvements and performance targets specified in the 2010/11 Business Improvement Plan. This report provides the final out-turn position for members' information.

The Shared Services Partnership is seen as a key project by both Chorley and South Ribble Councils and makes a direct and extensive contribution to the following strategic objectives:

“Ensuring that **Chorley** Council is a consistently top performing organisation.”

“**South Ribble** is an efficient, effective and exceptional council.”

RECOMMENDATIONS

That the Joint Committee notes and comments on the attached report.

DETAILS AND REASONING

The Joint Committee has previously approved the Service Level Agreement which sets out the key outputs required of the Partnership and the individual performance measures against which it will be judged. The Business Improvement Plan translated these outputs and measures into specific deliverables and targets which needed to be achieved during 2010/11.

The attached report summarises the highlights and achievements last year at Partnership level and individually by Shared Financial Services and Shared Assurance Services.

The report also contains final statements on the implementation status of all the key projects and performance targets as at the end of March 2011. Members will note that we have been successful in achieving the vast majority of our planned service developments and performance targets for 2010/11.

WIDER IMPLICATIONS

| | |
|------------------|---|
| FINANCIAL | The attached report provides a summary of the financial out-turn for the Partnership as at the end of the 2010/11 financial year and demonstrates that the Partnership met its financial objectives for the year. |
|------------------|---|

| | |
|--------------|--|
| LEGAL | <p>The Shared Services Joint Committee was established under Section 101 of the Local Government Act 1972 and provides the overall governance for the Shared Services Partnership.</p> <p>The terms of the Partnership are set out in an Administrative Collaborative Agreement which has been signed by both sponsoring Councils. The Collaborative Agreement in turn incorporates a Service Level Agreement which sets out the key outputs required of the Partnership and the individual performance measures against which it will be judged.</p> <p>The Business Improvement Plan for 2010/11 translated these outputs and measures into specific deliverables and targets which needed to be achieved during the last financial year and this Annual Report provides a summary of the Partnership's achievements in that regard.</p> |
|--------------|--|

| | |
|-------------|--|
| RISK | A dedicated Risk Register was established at the Partnership's inception and this has been updated to take account of the extensive progress that has now been made to mitigate the inherent risks that were faced at the outset, and to take account of any emerging risks now facing the Partnership. The updated Risk Register is set out in the Partnership Business Improvement Plan for 2011/12. |
|-------------|--|

| | |
|--------------------------|--|
| OTHER (see below) | |
|--------------------------|--|

| | | | |
|---|--|---|---|
| <i>Asset Management</i> | <i>Corporate Plans and Policies</i> | <i>Crime and Disorder</i> | <i>Efficiency Savings/Value for Money</i> |
| <i>Equality, Diversity and Community Cohesion</i> | <i>Freedom of Information/ Data Protection</i> | <i>Health and Safety</i> | <i>Health Inequalities</i> |
| <i>Human Rights Act 1998</i> | <i>Implementing Electronic Government</i> | <i>Staffing, Training and Development</i> | <i>Sustainability</i> |

BACKGROUND DOCUMENTS

1. Partnership Business Improvement Plan 2010/11.



FINANCIAL & ASSURANCE SHARED SERVICES PARTNERSHIP

ANNUAL REPORT 2010/11

June 2011

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HIGHLIGHTS & ACHIEVEMENTS IN 2010/11

2010/11 represented a challenging year as the Partnership continued to embed both new and combined ways of working whilst seeking to improve the delivery of its services.

The first half of the year was a particularly successful period during which three separate Statements of Account were again prepared for the two Councils plus the Joint Committee and each received unqualified audit opinions.

During the summer we undertook a detailed survey of our key customers and received extremely positive feedback across all service areas. Some improvement opportunities did, however, emerge from the survey and in January 2011 we presented an Improvement Action Plan to the Joint Committee (see Appendix 1). Some of these actions have already been addressed and others are contained in the Business Improvement Plan for 2011/12.

In the year of the Government's announcement with regard to the 2010 Comprehensive Spending Review (CSR) and subsequent significant reductions in Local Government funding, the partnership continues to provide each Council with significant savings. These have been achieved not only in the Partnership's own budget but via its services and advice provided to Budget Holders with regard to procurement activities. Importantly we have also identified ways of reorganising the services from 2011/12 onwards which will deliver even greater efficiency improvements and consequential savings going forward.

In addition to achieving our financial targets for 2010/11 we have also been successful in delivering the vast majority of our planned service developments and projects, the largest and most challenging of which was the roll out of a common financial management information system (FMIS) for both host authorities.

The FMIS project involved developing and implementing a method for delivering the same FMIS system at both Chorley and South Ribble Councils. The overarching aims of the project were to introduce a fit for purpose system that made the very best of new technology in a way that also achieved maximum efficiency savings. This was achieved, not by replicating a second version of the system currently used by Chorley, but in a very innovative way. By expanding the ICT infrastructure at Chorley we were able to house both Councils' accounts within the one system which was also upgraded at the same time. The end result was to create two companies within the one system with robust controls and disaster recovery processes to safeguard confidential information and ensure continuity of service. As far as we are aware this is the first time this has been achieved.

The potential of this now tried and tested new way of working has already interested the system provider CIVICA and also provided us with the ability to provide FMIS services to an external customer and thus raise additional revenue for the partnership. In deed one of our projects for 2011/12 is to investigate the feasibility of doing so.

A summary of success stories from last year are noted below:

Shared Assurance Services

The establishment of a Customer Charter at SRBC

Supporting the Annual Governance Statement reviews for SRBC, CBC and the Joint Committee

Retention of the ISO 9001 quality standard

Joint tender for insurance broker services delivering savings

Positive endorsement by the Audit Commission of the effectiveness of the risk management & internal control arrangements at both host authorities

Shared Financial Services

Full assessment of the Comprehensive Spending Review and significantly earlier production of Council details budgets including challenging and extensive budget efficiency plans

Full review and re-drafting of Contract Standing Orders at both authorities leading to new standard draft with local requirements

Publication of Selling to the Council Guide at SRBC, Review and update at CBC

Implementation and development of the regional e-procurement portal for initial pilot within the Procurement Team

Significant procurement savings achieved exceeding set targets

Substantial Assurance rating given by Internal Audit in their final report on the controls in place in the procurement process at both CBC and SRBC

KEY SERVICE DEVELOPMENTS 2010/11

The 2010/11 BIP included 34 key projects which represented planned service developments last year. Using a traffic light system, the year-end out-turn position is summarised in the table below:

| Detail | Partnership Level | Assurance Services | Financial Services |
|---------------------------------|-------------------|--------------------|--------------------|
| Projects Green - completed | 4 | 10 | 14 |
| Projects Amber – part completed | 0 | 0 | 1 |
| Projects Red - not completed | 0 | 4 | 1 |
| Total | 4 | 14 | 16 |

Full details on the status of each project are shown at Appendix 2. The following paragraphs provide short commentaries on the red projects and accompanying explanations.

ASSURANCE SERVICES RED PROJECTS

Governance & Fraud Awareness

The roll-out of the on-line Meritec fraud awareness survey slipped into the first quarter of 2011/12. The delay at Chorley was due to the need to revise and publish the Anti Fraud & Corruption Strategy prior to conducting the survey.

Updating Risk Management Policies

Completed at South Ribble but slightly delayed at Chorley due to some changes in responsibility which needed to be reflected in the revised Risk Management Framework.

Emergency & Business Continuity Plans

Although Emergency Planning training & simulation exercises were completed at both host authorities the documentary updates were still in progress at year end.

Business Continuity Plan revisions were also still in progress at year end and simulation exercises have now been scheduled in the 2011/12 Business Improvement Plan.

FINANCIAL SERVICES RED PROJECTS

Review of Procure to Pay processes at South Ribble

This project was interwoven with the introduction of the new FMIS at South Ribble. As previously reported to Joint Committee delays were experienced within the FMIS project with regard to implementation (for example, the release of updates from the supplier) and at one stage this major project became off track. Implementation for 1st April 2011 was non-negotiable and so corrective action taken included re-prioritising work where appropriate. The revision of Procure to Pay processes at SRBC is now complete but further work will be undertaken as part of the development stage of the new system.

Single Point of Contact for Revenue and Capital Budget Management

Delays were experienced in 2010/11 with regard to assigning a single point of contact for Budget Holders for both Revenue and Capital Budget Monitoring and Management mainly due to the Budget Review of Shared Financial Services and the subsequent significant restructure. A number of staff involved in management accountancy processes were affected and are, with effect from 1st April 2011, carrying out new duties. In addition, some staff are also learning how to use the new financial management information system and heavily involved in its development. To ensure a smooth transition for customers and sufficient capacity for staff training, this project has been delayed and will be implemented during 2012/13.

KEY PERFORMANCE TARGETS 2010/11

The 2010/11 BIP contained 41 performance indicators which were, in the main, derived from the work of the National Audit Office (Value for Money in Public Sector Corporate Services 2007).

Again using a traffic light system, the year-end out-turn position is summarised in the table below:-

| Detail | Assurance Services | Financial Services |
|-------------------------------|---------------------------|---------------------------|
| Green on target | 10 | 18 |
| Amber – 5% or less off target | 1 | 1 |
| Red – more than 5% off target | 2 | 4 |
| Not measured | 1 | 4 |
| Total | 14 | 27 |

Full details on each performance indicator are shown at Appendix 3 and a summary of the red and amber targets is shown below:-

ASSURANCE SERVICES TARGETS

| Measure | Target | Actual |
|---|---|--|
| % Agreed Management Actions Implemented | 100% Priority1 | 78.5% Priority1 |
| Of the agreed management actions implemented – the % implemented on time | 100% Priority1 80% Priority2 | 65% Priority1 74% Priority2 |
| % overall customer satisfaction rating for audit assignments | 96% | 91% |

% Agreed management actions implemented & implemented on time – Although these are Shared Assurance performance targets their achievement is largely attributable to Service Managers who are charged with implementing the actions agreed and these are monitored on an ongoing basis by the respective Audit & Governance Committees. The Joint Committee's remit is to oversee that Shared Assurance is maximising its efforts to secure timely implementations and in this regard several improvements to the follow up system will be trialled in 2011/12.

% Overall customer satisfaction rating for audit assignments – This is only marginally below target and no significant issues emerged from the analysis.

NB – the above figures represent aggregates of the separate indicators which have been reported to the Audit and Governance Committees of the host authorities and which are also shown in Appendix 3.

FINANCIAL SERVICES TARGETS

| Measure | Target | Actual |
|---|--------|--------|
| SFS Staff Satisfaction Survey | 95% | 81% |
| 10 working days from period-end closure to distribution of financial reports | 100% | 75% |
| Statutory Returns & Grant Claims returned on time | 100% | 85% |
| Credit Notes as a % of total customer invoices | 6% | 13.9% |
| Number of Council's Top 10 suppliers (by spend value) who have formal partnership/framework agreements with the authorities | 100% | 95% |

SFS Staff Satisfaction Survey - The staff satisfaction survey was undertaken during the Budget Review process and subsequent restructure of the service. It was, therefore, expected that this may have a negative impact on the level of overall staff satisfaction within the service. Nevertheless 81% is a very positive result.

10 working days from period-end closure to distribution of financial reports – Some Budget Monitoring reports were circulated a few days after the 10 working day indicator at South Ribble due to issues with the old Powersolve financial management information system, namely, onerous report writing processes. This has been resolved as part of the new FMIS project where reports are generated automatically.

Statutory Returns and Grant Claim returned on time - 70 out of the 82 returns submitted in 2010/11 have been early or on time. Twelve have been submitted late, this is mainly due to: the focus on Statutory Accounts; the development and implementation of FMIS together with an early start to the budget setting process at both Councils given the challenges contained within the 2010 Comprehensive Spending Review; and subsequent compilation of critical budget efficiency programmes.

Credit Notes as a % of total customer invoices - The number of credit notes increased due to dog waste bin invoices being raised excluding VAT, this was a one off occurrence and has now been corrected. In addition, Market Traders pay their invoices up front at the beginning of the year, therefore, any circumstances arising throughout the year that alter the charges for that year require an adjustment to be made via a credit note to the original invoice. It is proposed that invoices are raised in advance each quarter and therefore any such adjustment is made to the next subsequent invoice as opposed to via a credit note.

Number of Council's Top 10 suppliers (by spend value) who have formal partnership/framework agreements with the authorities – There is one instance where procurement does not occur with a supplier with a formal agreement. This is for the procurement of diesel at SRBC, "Spot buying" is the best way to ensure best value for diesel where prices can change daily.

FINANCIAL OUT-TURN 2010/11

At each Joint Committee meeting during 2010/11 up-to-date budget performance statements were reported showing actual performance against the approved original 2010/11 budget. The following statement sets out the final out-turn position as at 31st March 2011.

| Cost Category | Original Annual Budget £000 | Out-turn as at 31st March 2011 £000 | Under/(Over) Spend £000 |
|------------------------------------|--|---|------------------------------------|
| Salary Costs | 1,682 | 1,519 | 163 |
| Other Staff Costs | 37 | 45 | (8) |
| One Off Restructuring Costs | - | 62 | (62) |
| Lancashire CC Audit Budget | 9 | 46 | (37) |
| Transport | 14 | 11 | 3 |
| Supplies and Services | 42 | 51 | (9) |
| Budget Savings Target | (50) | Achieved above | (50) |
| TOTAL | 1,734 | 1,734 | - |

Significant Variations

The above presents the 2010/11 actual out-turn position compared to the original budget approved by the Joint Committee in order to demonstrate the total movement from the original financial plan during the year. As previously reported the variation in salary costs is primarily due to a number of posts which were not filled during the setting up stage of the Partnership and as such are temporary in nature. The largest element of this is in Internal Audit and the Joint Committee has agreed that this resource can be redirected to purchase additional audit days from Lancashire County Council. The variations within the budget greater than £10k are as follows:-

| Cost Category | Under/(Over) Spend £000 | Explanation |
|-----------------------------|------------------------------------|---|
| Salary Costs | 154 | Underspend brought about by vacant posts |
| One Off Restructuring Costs | (62) | One off costs incurred to achieve recurring reduction in SFS of £277k (payback period = 4.5 months) |
| Lancashire CC Audit Budget | (37) | Use of SAS vacancy savings above to buy in audit days from LCC |
| Budget Savings Target | (50) | Original budget savings target achieved by underspend on salary costs above |

APPENDIX 1 – CUSTOMER SURVEY – KEY IMPROVEMENT ACTIONS

| IMPROVEMENT ACTION | STATUS |
|--|---|
| Internal Audit | |
| <ul style="list-style-type: none"> Greater focus on reviewing service specific risks (CBC) | <ul style="list-style-type: none"> Have sought to address this as part of the 2011/12 audit planning process. An opportunity does however exist to up-skill managers to undertake risk & internal control self assessments and we have therefore incorporated this as a key project the 2011/12 BIP |
| Risk Management & Insurance | |
| <ul style="list-style-type: none"> Greater awareness of risk management procedures | <ul style="list-style-type: none"> These have been updated at South Ribble and are in progress at Chorley. Both will be publicised on the respective intranets. The above project in the 2011/12 BIP will also facilitate this |
| <ul style="list-style-type: none"> Publicise the insurance service | <ul style="list-style-type: none"> This has been incorporated as a key project in the 2011/12 BIP by way of updating and publicising an insurance manual at each host authority |
| Emergency Planning | |
| <ul style="list-style-type: none"> Better communication of the service & the arrangements | <ul style="list-style-type: none"> Projects have been completed to test the emergency plans at each authority. Plan updates are planned within the 2011/12 BIP. |
| Business Continuity Planning | |
| <ul style="list-style-type: none"> Better communication of the service & the arrangements | <ul style="list-style-type: none"> Projects are already in progress to update and test the business continuity plans at each authority. |

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| Accountancy Services | |
| <ul style="list-style-type: none"> • Provide more continuity of service accountants | <ul style="list-style-type: none"> • The restructure for Shared Financial Services has been implemented and Accountants have been aligned to Budget Holders. It is not planned to change or rotate Accountants across service areas thus providing continuity of service. Although Single Point of Contact has not been embedded yet this remains an objective for the coming year. |
| <ul style="list-style-type: none"> • Provide a more proactive approach to supporting services | <ul style="list-style-type: none"> • Accountants at SRBC to attend Directors Departmental Team meetings or dedicated financial sessions if more appropriate. • Projects within the Business and Improvement Plan, Transformation Strategy and Medium Term Financial Strategies involve a proactive approach to supporting service with managing their financial performance. |
| Systems Development & Exchequer | |
| <ul style="list-style-type: none"> • Provide more user training on the financial information system | <ul style="list-style-type: none"> • All training documentation is being revised as part of the FMIS programme and rolled out to all users at South Ribble Council. • A programme of user groups bringing CBC and SRBC together have been scheduled for 11/12 to maximise the benefits of FMIS and includes the monitoring of user training. • As training is delivered the user will have the opportunity to amend/contribute to its ongoing development to make sure that it user friendly and fit for purpose. • The completion of the FMIS project at South Ribble Council has provided lessons learned in providing training and this will be rolled out at Chorley Council. • Financial Training Packages are a key project contained within the 2011/12 Business Improvement Plan |
| <ul style="list-style-type: none"> • Make the exchequer processes more customer friendly | <ul style="list-style-type: none"> • This has been included as apart of the FMIS project. Automated alerter are now delivered to users via e-mail notifying them of actions needed. • User groups referred to below will also ensure that any problems experienced by customers are monitored and addressed. |

APPENDIX 2 – KEY SERVICE DEVELOPMENTS 2010/11

| Project / Task | Lead Officer | Start Date | Finish Date | SMART Targets / Actions & Milestones | Status (RAG) | Update |
|---|--------------|--------------|-------------|--|--------------|---|
| Partnership Level | | | | | | |
| Implementation of the Workforce Development Plan | SG & GB | January 2010 | March 2011 | <ul style="list-style-type: none"> Noted in host authority OD programmes | GREEN | Now built into the host authority development programmes and is ongoing |
| Undertake the Customer Survey | SG & GB | April 2010 | Jan 2011 | <ul style="list-style-type: none"> Complete survey 06/10 Analyse results 09/10 Agree actions 12/10 | GREEN | Survey complete, results analysed & action plan in progress |
| Review intranet content at both Councils | SG & GB | April 2010 | March 2011 | <ul style="list-style-type: none"> Action Plan to be agreed | GREEN | LOOP & CONNECT updated |
| Development of the Communications Strategy | SG & GB | April 2010 | March 2011 | <ul style="list-style-type: none"> Members Corporate Management Groups Management meetings Performance Appraisal | GREEN | Residual actions from original Communications Plan now completed |
| Assurance As A Whole | | | | | | |
| Develop the role of Assurance in reporting evidence of financial, risk and business continuity controls for key partnerships (SRBC) | GB | April 2010 | March 2011 | Develop an action plan for improving the oversight and reporting on partnership governance arrangements. | GREEN | Now incorporated within the Service Assurance Statements at both host authorities |

| Project / Task | Lead Officer | Start Date | Finish Date | SMART Targets / Actions & Milestones | Status (RAG) | Update |
|---|--------------|--------------|---------------|--|--------------|--|
| Internal Audit | | | | | | |
| Update the Internal Audit Charter in respect of the new shared audit service | CW | April 2010 | December 2010 | Report to Audit & Governance Committees Issue to all IA staff & communicate to all officers of both councils | GREEN | Submitted to February Governance Committee at SRBC Possible implementation as part of a wider Charter for support services at CBC |
| Update of the Quality System & retention of ISO 9001 standard | CW | Ongoing | January 2011 | Regular review of IA processes & updates to the Quality System as necessary. | GREEN | Accreditation retained |
| Review the effectiveness of the system of Internal Audit in accordance with new regulatory requirements | CW | January 2010 | July 2010 | Undertake the review (March 2010) Insert conclusions in the Annual Reports to each council (June 2010) Feed into the Annual Governance Statements for each council (June 2010) | GREEN | Achieved |
| Support the governance policy awareness programmes at both councils | CW | April 2010 | March 2011 | Review and revise policies which fall under the 'governance' umbrella, as appropriate for each council. Raise awareness of the revised policies with all officers and members. | RED | All completed at SRBC but at CBC the Anti Fraud & Corruption Strategy update was still in progress at year end. |

| Project / Task | Lead Officer | Start Date | Finish Date | SMART Targets / Actions & Milestones | Status (RAG) | Update |
|--|--------------|------------|-------------|--|--------------|---|
| Update the skills assessment for Internal Audit Staff in respect of the "Effective Internal Auditor" and the new core competencies | CW | April 2010 | Sept 2010 | Evaluate skills assessments during all appraisals for all IA officers (June 2010) | GREEN | Now actioned and integrated into April 2010 appraisals Also review sheet after each audit introduced – used to identify trends |
| Adapt the Meritec corporate fraud awareness package and issue to members & staff at both councils | CW | April 2010 | March 2011 | Trial Meritec within Assurance (September 2010) Roll out to all officers and members (December 2010) | RED | Still in progress at both SRBC & CBC at year end |
| Further develop the IDEA system interrogation package to encompass more applications | CW | April 2010 | March 2011 | Add to repertoire of reports run reports for key financial & business systems (Ongoing) | GREEN | Used on SRBC & CBC Council Tax & reduced number of matches on Single Person Discount requiring investigation |
| Risk Management | | | | | | |
| Review & update all risk management policies & procedures in place at both councils | AA | April 2010 | Dec 2010 | Review & update policies, etc on Websites & Intranets (July 2010) Brief members & officers of revised policies (Dec 2010) | RED | Completed at SRBC but delayed at CBC due to some changes in responsibility which need to be reflected in the revised Risk Management Framework. |
| Oversee compliance with the latest anti-fraud guidance in Protecting the Public Purse (Audit Commission) | AA | April 2010 | March 2011 | Produce Action Plans & obtain member approvals (March 2010) Conduct half-yearly review of actions implemented (October 2010) & end of year review of actions implemented (March 2011) | GREEN | Review completed & outstanding actions to be fed into the Internal Audit follow up / monitoring system |

| Project / Task | Lead Officer | Start Date | Finish Date | SMART Targets / Actions & Milestones | Status (RAG) | Update |
|--|--------------|------------|------------------------------|---|--------------|--|
| EP & BCP | | | | | | |
| Develop and implement an agreed protocol for providing Emergency Planning (EP) & Business Continuity Planning (BCP) support to both councils | AA | April 2010 | September 2010 | Produce written protocol & obtain officer approvals (February 2010) Arrange liaison meetings with the Responding Officers at both Councils to monitor effectiveness of the arrangements (monthly) | GREEN | EP and BCP protocols now in situ at both host authorities |
| Oversee and implement the EP/BCP Development Plans for both Councils | AA | April 2010 | March 2011 | Review & update existing plans including key actions, timescales & officers responsible (January 2010) Agree the program of activity and prioritise work flow with the Responding Officers (January 2010) Deliver the detailed actions set out in the Development Plans (ongoing) | RED | EP awareness training & simulation exercises organised at both host authorities and documentary updates in progress at year end. BCP updates also in progress at year end and simulation exercises included in the 2011/12 BIP. |
| Insurance | | | | | | |
| Arrange the procurement of a single insurance broker under a combined agreement covering both Councils | AA | June 2010 | 1 st January 2011 | Finalise procurement process & documentation & notify potential suppliers (September 2010) Appoint successful candidate (November 2010) | GREEN | Broker appointed |

| Project / Task | Lead Officer | Start Date | Finish Date | SMART Targets / Actions & Milestones | Status (RAG) | Update |
|---|--------------|--------------|---|--|--------------|-------------|
| Oversee the exercise for the procurement of new long-term insurance agreements by both councils | AA | January 2010 | 1 st January 2012 (based on advice from broker) | <p>Working alongside the broker and assuming a start date of 1st January 2012:</p> <p>Produce a project / procurement plan (April 2011)</p> <p>Agree selection criteria (May 2011)</p> <p>Finalise proposal documentation & arrange OJEC publication (June 2011)</p> <p>Send documentation to interested parties (August 2011)</p> <p>Tender deadline (end September 2011)</p> <p>Submit summary of tenders to members including an appointment recommendation for approval (November 2011)</p> <p>Appoint successful insurers (end November 2011)</p> <p>New insurance starts 1st January 2012.</p> | GREEN | In progress |

| Project / Task | Lead Officer | Start Date | Finish Date | SMART Targets / Actions & Milestones | Status (RAG) | Update |
|--|--------------|--------------|----------------|---|--------------|--|
| Financial Services As A Whole | | | | | | |
| Construct and deliver financial training packages for Members and Budget Holders to include use of systems, process improvement and financial management techniques. | SG | April 2010 | September 2010 | <ul style="list-style-type: none"> Consult customers Identify priority issues for customers and Shared Services Produce packages Deliver training | GREEN | Packages have been collated in draft format. This project was largely completed in 2010/11, however, the packages are being re-visited to incorporate lesson learned from the training sessions delivered as part of the FMIS project. More extensive delivery of final packages has been rolled forward into the 2011/12 Business Improvement Plan. In 2011/12 Member training and new system training has already commenced. |
| Accounting for Sustainability | SG | January 2010 | March 2011 | <ul style="list-style-type: none"> Establish the requirements of the relevant accounting requirements Seek advice and guidance from with External Auditor | GREEN | This project has been re-prioritised into 2011/12 as apart of core business. |
| Review of Procure to Pay processes at South Ribble | SG | April 2010 | September 2010 | <ul style="list-style-type: none"> Establish current procedures Consult with customers Identify service and efficiency improvements | AMBER | Some delay was experienced due to staff resources being directed at bringing the Financial Management Information System back on track and end user availability for workshops. This project is now being progressed as part of the development stage of FMIS implementation where systems and processes across both councils are being aligned. |
| Review Resources Allocation of Shared Financial Services to provide single point of contact for Directors and Budget Holders for Revenue and Capital Budget Management | SG | January 2010 | May 2010 | <ul style="list-style-type: none"> Directors assigned single point of contact Hand over of capital budget monitoring responsibilities including training | RED | This project is being rolled over into 2011/12 to ensure that Accountants are fully acquainted with their new roles and with new systems before taking on additional Capital Budget Monitoring responsibilities. |

| Project / Task | Lead Officer | Start Date | Finish Date | SMART Targets / Actions & Milestones | Status (RAG) | Update |
|--|--------------|------------|---------------|---|--------------|--|
| Accountancy Services | | | | | | |
| Provide a common partnership platform for Management Accounting processes, Budget Monitoring and Budget Preparation. | MJ&JB | April 2010 | December 2010 | <ul style="list-style-type: none"> • Identification of processes that do not add value • Establish most efficiency and effective processes in conjunction with Systems Implementation Project within this document • Consult with customers & stake holders & implement | GREEN | This project now forms part of the development of FMIS and has been rolled forward into 2011/12 and included in the 2011/12 Business Improvement Plan. |
| Seek Tenders for Chorley Banking Services | JM | April 2010 | March 2011 | <ul style="list-style-type: none"> • Produce a project / procurement plan • Agree selection criteria • Finalise proposal documentation & arrange publication • Send documentation to interested parties • Tender deadline • Submit summary of tenders to members including an appointment recommendation for approval • Appoint successful bankers | GREEN | COMPLETED - Contract has been re-negotiated and extended with existing service provider. |

| Project / Task | Lead Officer | Start Date | Finish Date | SMART Targets / Actions & Milestones | Status (RAG) | Update |
|--|--------------|------------|---------------|--|--------------|--|
| Review the option to apply VAT to Land and Property transactions | JM | April 2010 | April 2010 | <ul style="list-style-type: none"> Review Option to Tax Legislation Consult with stakeholders Establish most beneficial tax treatment of Land & Property transactions Implement appropriate tax treatment | GREEN | COMPLETED. |
| Preparation and comply with International Financial Reporting Standards (IFRS) | GW | April 2010 | March 2011 | <ul style="list-style-type: none"> Consultation with External Auditors Restate 01/04/09 Balance Sheet Revised Chart of accounts Restate 2009/10 Final Accountants | GREEN | COMPLETED - On Target to be implemented as part of the Closure of Account Process for 2010/11 and concluded by the statutory deadline of 30 th June 2011. |
| System Development & Exchequer Services | | | | | | |
| Common core financial information system across the partnership | LH | April 2010 | December 2010 | <ul style="list-style-type: none"> Produce business case, agree solution and produce cabinet report (Jan 2010) Produce project documentation and plan (Jan 2010) Consultation and execute project communication plan (Feb 2010) Complete business process transformation exercise and publish report (Mar 2010) Agree terms and sign contracts (April 2010) | GREEN | COMPLETED - New System went live on 1 st April 2011. The system is now being development to make the very best of its functionality and further improve service delivery. |

| Project / Task | Lead Officer | Start Date | Finish Date | SMART Targets / Actions & Milestones | Status (RAG) | Update |
|--|--------------|------------|---------------|---|--------------|--|
| | | | | <ul style="list-style-type: none"> Implement common financial system (Jul – Sep 2010) incl. design, build, test, training, review and roll out. | | |
| Allocation of VAT Liability in purchasing system | LH | April 2010 | December 2010 | <ul style="list-style-type: none"> Review product and requisition class structure Agree purchasing tolerance checks with CFO. Assign VAT liability Test Turn on automatic invoice matching | GREEN | COMPLETED - At present the process for the payment of invoices includes the additional control of invoice authorisation. If this is changed to automatic recognition of the invoice against the purchase order then this will need to be implemented as apart of the ongoing development of FMIS. |
| Increase number of purchase orders delivered electronically | LH | April 2010 | December 2010 | <ul style="list-style-type: none"> Contact creditors to acquire appropriate details (Mar 2010) Update system (May 2010) Train staff (May 2010) | GREEN | COMPLETED – Numbers as a % of total purchase order increased in Chorley from 33.08% in April 2010 to 66.78% in March 2011. SRBC results stayed constant as the old systems was in use to year end. Further improvement is planned in 2011/12 in particular for SRBC with the introduction of the new system. |
| Integrate Sundry Debtor debt management into corporate debt management procedures and corporate monitoring – Chorley Council | LH | April 2010 | December 2010 | <ul style="list-style-type: none"> Agree procedure with CFO Review and update Financial Regulations Communicate new procedures and train staff Roll out new procedures and implement monthly reporting (Dec 2010) | GREEN | COMPLETED – Procedures in place, sundry debtors function transferred to Revenues and Benefits on 1 st April 2011. |

| Project / Task | Lead Officer | Start Date | Finish Date | SMART Targets / Actions & Milestones | Status (RAG) | Update |
|--|--------------|--------------|----------------|--|--------------|--|
| Procurement Services | | | | | | |
| Investigate and evaluate the regional e-tendering solution The Chest and implement if beneficial taking advantage of any available NWIEP part funding and support | JH | January 2010 | September 2010 | <ul style="list-style-type: none"> • Arrange user demonstration • Consultation with ICT departments and audit • Evaluate systems • Manage implications for standing orders, user guides, user training and system management | GREEN | COMPLETED – The Chest has been successfully used in a number of procurement exercises. |
| Be involved in procurement activities with particular regard to major areas of expenditure and achieve procurement savings targets of £50,000 at both Chorley and South Ribble Councils. | JH | April 2010 | September 2010 | <ul style="list-style-type: none"> • Identify major expenditure scheme such as capital programme activity • Evaluate and identify spend options | GREEN | COMPLETED - Procurement activity involvement and support include refuse collection vehicles, wheeled bins, grounds maintenance plant and equipment, insurance broker consultancy, telephony review and others. |
| Develop and implement action plan working towards achievement of Level 3 of the flexible Framework for Sustainable Procurement | JH | April 2010 | March 2011 | <ul style="list-style-type: none"> • Identify qualification requirements • Seek additional resource contributions e.g. Lancashire Procurement Hub • Develop and implement action plan | GREEN | COMPLETED. |
| Develop and implement Selling to the Council Guide at each Authority | JH | April 2010 | December 2010 | <ul style="list-style-type: none"> • Research requiring • Complete Guide • Raise awareness • Publish on internet | GREEN | COMPLETED. |

APPENDIX 3 – PERFORMANCE TARGETS 2010/11

| Key Measures | Lead Officer | Actual 2009/10 | Target 2010/11 | Target to date 2010/11 | Actual to date 2010/11 | Status (RAG) | Comments |
|--|--------------|-----------------------|-----------------------|------------------------|------------------------|--------------|--|
| | | | | | | | |
| Assurance As A Whole | | | | | | | |
| Assurance Staff Satisfaction | GB | N/A | N/A | N/A | N/A | NM | Annual Indicator |
| Internal Audit – CBC | | | | | | | |
| % Planned Time Utilised | CW | 81% | 90% | 90% | 98.5% | GREEN | Target exceeded |
| % Audit Plan Completed | CW | 76% | 92% | 92% | 92% | AMBER | Target achieved |
| Percentage of Management Actions Agreed | CW | 100% | 97% | 97% | 99% | GREEN | Target exceeded |
| % of Agreed Management Actions Implemented | CW | P1 – 76% P2 – 60% | P1 – 100% P2 – 80% | P1 – 100% P2 – 80% | P1 – 68% P2 – 70% | RED RED | P1 – Revised dates set for 25/77 MA's P2 – Revised dates set for 38/54 MA's |
| Of the Agreed Management Actions Implemented - % Implemented On Time | CW | P1 – 95% P2 – 100% | P1 – 100% P2 – 80% | P1 – 100% P2 – 80% | P1 – 56% P2 – 81% | RED GREEN | P1 – 29/52 MA's implemented on time P2 – Target exceeded |
| % customer satisfaction rating – assignment level | CW | 86% | 96% | 96% | 91% | AMBER | Based on 14 surveys. No trends emerging. |

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| Key Measures | Lead Officer | Actual 2009/10 | Target 2010/11 | Target to date 2010/11 | Actual to date 2010/11 | Status (RAG) | Comments |
|--|--------------|----------------------|-----------------------|------------------------|------------------------|--------------|--|
| Internal Audit – SRBC | | | | | | | |
| % Planned Time Utilised | CW | 83% | 90% | 90% | 106% | GREEN | Target exceeded |
| % Audit Plan Completed | CW | 94% | 92% | 92% | 95% | GREEN | Target exceeded |
| Percentage of Management Actions Agreed | CW | 99% | 97% | 97% | 98% | GREEN | Target exceeded |
| % of Agreed Management Actions Implemented | CW | P1 – 94% P2 – 94% | P1 – 100% P2 – 80% | P1 – 100% P2 – 80% | P1 – 89% P2 – 90% | RED GREEN | P1 – Revised dates set for 10/90 MA's P2 – Target exceeded |
| Of the Agreed Management Actions Implemented - % Implemented On Time | CW | P1 – 88% P2 – 88% | P1 – 100% P2 – 80% | P1 – 100% P2 – 80% | P1 – 74% P2 – 67% | RED RED | P1 – 21/80 MA's implemented on time P2 – 12/36 MA's implemented on time |
| % customer satisfaction rating – assignment level | CW | 93% | 96% | 96% | 91% | AMBER | Based on 22 surveys. No trends emerging |
| Risk Management | | | | | | | |
| Average customer satisfaction score per insurance claim (max 5.0) | AA | 4.7 | 4.7 | 4.7 | 4.7 | GREEN | On target |

| Key Measures | Lead Officer | Actual 2009/10 | Target 2010/11 | Target to date 2010/11 | Actual to date 2010/11 | Status (RAG) | Comments |
|--|--------------|--------------------------------|----------------|------------------------|------------------------|--------------|---|
| Finance As A Whole | | | | | | | |
| Customer Satisfaction Survey | SG | 82% | 85% | 85% | Not measured | N/A | Annual indicator – to be measured during 2011/12 to take account of feedback for the new FMIS and subsequent development of services provided across both Councils. |
| Financial Services Staff Satisfaction | SG | 95% | 95% | 95% | 81% | RED | The staff survey was undertaken during the Budget Review process and subsequent restructure of the service. It was, therefore, expected that this could have a negative impact on the level of overall staff satisfaction. Nevertheless 81% is a very positive result in the circumstances and an action plan is being developed to address the areas where issues were raised. |
| % of professionally qualified finance staff as % of total finance staff (vfm Secondary 1) | SG | 25% | 15% | 15% | 25% | GREEN | Achieved. |
| Accountancy | | | | | | | |
| Over/(Underspends) within 1% of manageable/cash revenue budget | SG | CBC = (0.6%) SRBC = (0.03%) | <1.0% | <1.0% | Not yet measured | N/A | Out-turn position being assessed as apart of the current year end accounts closure process – Information not yet available at date of report submission to Joint Committee. |
| % variation between the forecast outturn at month 6 and the actual outturn at month 12 (VFM Primary 3) | SG | CBC = 4.4% | 5% | 5% | Not yet measured | N/A | Out-turn position being assessed as apart of the current year end accounts closure process – Information not yet available at date of report submission to Joint Committee. |

| Key Measures | Lead Officer | Actual 2009/10 | Target 2010/11 | Target to date 2010/11 | Actual to date 2010/11 | Status (RAG) | Comments |
|--|--------------|--|---|---|--|--------------|---|
| 10 working days from period-end closure to the distribution of financial reports (VFM Primary 2) | SG | 90% | 100% | 100% | 75% | RED | Budget Monitoring reports have been delivered monthly, however, some have been delayed for a few days per month due to the onerous and manual report writing procedures of the old Powersolve system at SRBC. The introduction of the new FMIS and revised reporting procedures will greatly improve this position in 2011/12. |
| Year end statutory accounts to contain no material errors and have an unqualified audit opinion | SG | 0 | 0 | 0 | 0 | GREEN | All three Statement of Accounts delivered on time with no errors and in SRBC case by mid June |
| Statutory Grant Claims and Returns to be submitted on time | SG | New measure for 2010/11 | 100% | 100% | 85% | RED | 70 out of the 82 returns submitted to date this year have been early or on time. 12 have been submitted late, this is mainly due to the focus on Statutory Accounts and an early start on the Budget Setting process at both Councils given the challenges within the 2010 Comprehensive Spending Review. |
| Achievement of Prudential Indicators | SG | 100% compliance with Prudential Indicators | 100% compliance with Prudential Indicators | 100% compliance with Prudential Indicators | 100% compliance with Prudential Indicators | GREEN | Reported to each Council's relevant committee on Treasury Management |
| Achievement of industry investment benchmarks | SG | SRBC 1.91% CBC 0.57% | Out perform London Inter Bank Offered Rate (LIBOR) by 10% | Out perform London Inter Bank Offered Rate (LIBOR) by 10%/N/A | SRBC 1.12% CBC 0.65% | GREEN | Target exceeded where LIBOR = 0.43% and therefore LIBOR plus 10% = 0.47% |
| Systems Development & Exchequer Services | | | | | | | |
| Supplier Payment within 30 days (local indicator) (linked to AVFM Secondary 10) | LH | 97% | 97.75% | 97.75% | 98.09% | GREEN | Target exceeded |

| Key Measures | Lead Officer | Actual 2009/10 | Target 2010/11 | Target to date 2010/11 | Actual to date 2010/11 | Status (RAG) | Comments |
|--|--------------|----------------|----------------|------------------------|------------------------|--------------|--|
| Supplier Payment within 22 days (local indicator) | LH | 85.88% | 85% | 85% | 91.94% | GREEN | Target exceeded |
| Supplier Payment within 10 days (local indicator) | LH | 31.66% | 50% | 50% | 61.67% | GREEN | Target exceeded |
| % of supplier payments by electronic means (VFM Secondary 7) | LH | 90.79% | 90% | 90% | 93.62% | GREEN | Target exceeded |
| % of remittances to suppliers by electronic means | LH | 87.84% | 85% | 85% | 93.04% | GREEN | Target exceeded |
| % of Financial Systems availability | LH | 96.23% | 99.25% | 99.25% | 99.93% | GREEN | Target exceeded |
| % of debtor income received (before bailiff referral) CBC ONLY | LH | 98.68% | 90% | 90% | 98.26% | GREEN | Target exceeded |
| Number of debtor days (VFM Secondary 4) (measured at year end only) CBC ONLY | LH | 76.5 days | 85 days | 85 days | 39 days | GREEN | Target exceeded |
| Cost of customer invoicing function per customer invoices processed (VFM Secondary 3) CBC ONLY | LH | £7.47 | £20.00 | £20.00 | £17.86 | GREEN | The cost per invoice has increased from last year as the number of invoices raised has reduced. The function has now transferred into Revenues and Benefits and subject to a current review into providing a shared service with SRBC to maximise efficiencies. |
| Credit notes as a % of total customer invoices raised (VFM Secondary 5) CBC ONLY | LH | 16.84% | 6% | 6% | 13.9% | RED | Credit notes increased due to dog waste bin invoices being raised excluding VAT, this was a one off occurrence and has been corrected. Also Market Traders pay invoices at the start of the year, therefore, any circumstances arising in year altering the charge require adjustments via a credit note. It is proposed that invoices are raised quarterly, therefore, any adjustments are made to the next subsequent invoice not via a credit note. |

| Key Measures | Lead Officer | Actual 2009/10 | Target 2010/11 | Target to date 2010/11 | Actual to date 2010/11 | Status (RAG) | Comments |
|---|--------------|---|-------------------------------|------------------------|---------------------------------------|--------------|---|
| Proportion of outstanding debt that is more than 90 days old from date of invoice (VFM Secondary 8) CBC ONLY | LH | 60.40% | 14% | 14% | 6.06% | GREEN | Target Exceeded |
| Procurement Services | | | | | | | |
| Professionally qualified staff as % of total procurement employees (vfm Secondary 1) | JH | 67% | 33% | 33% | 67% | GREEN | Target Exceeded |
| LIB/P12 Satisfaction with the corporate procurement function | JH | 94% | 85% | 85% | Not measured | N/A | Annual indicator – to be measured during 2011/12 to take account of feedback for the new FMIS and subsequent development of services provided across both Councils. |
| Sustainable Procurement – Attain level 3 of the National Action Plan Framework by 2009 (Level 5 by 2011) | JH | Progress towards achieving Level 2 was made | Achieve Level 3 by March 2011 | N/A | Relevant elements of Level 3 achieved | GREEN | The elements of levels (1 to 3) that are appropriate to organisations such as Chorley and South Ribble Councils have been achieved. The optimum benefits have been realised at this stage. Further progress would only serve to gain recognition in external inspection which is no longer a requirement. |
| Number of Council's Top 10 suppliers (by spend value) who have formal partnership/framework agreements with the authorities | JH | 90% | 100% | 100% | 95% | AMBER | The procurement of diesel at SRBC does not occur with a set supplier with a formal agreement. This commodity is procured by spot buying in order to obtain the cheapest prices. This is the most appropriate procurement method. |

| Key Measures | Lead Officer | Actual 2009/10 | Target 2010/11 | Target to date 2010/11 | Actual to date 2010/11 | Status (RAG) | Comments |
|------------------------------------|--------------|----------------------------|----------------|------------------------|-----------------------------|--------------|-----------------|
| LIB/P22 Average invoice value | JH | CBC £1,253 SRBC £1,630 | £1,200 | £1,200 | CBC £1,652 SRBC £1,765 | GREEN | Target Exceeded |
| LIB/P24 Average Spend per Supplier | JH | CBC £9,306 SRBC £12,214 | £9,600 | £9,600 | CBC £12,447 SRBC £11,067 | GREEN | Target Exceeded |

NOTES

(1) The annual report clarified that the following Key Performance Indicators (KPI) were deleted as the input required to collect the data is disproportionate to the value of the data output:-

- % of corporate spend placed with Small to medium Enterprises (SMEs)
- % of corporate spend aggregated through collaboration with other public sector authorities
- % of corporate spend including grants placed with the third sector i.e. voluntary, community and social enterprise sectors

(2) The Use of Resources KPI has been deleted due to the changes to the audit and inspection regime

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| <i>REPORT TO</i> | <i>DATE OF MEETING</i> |
|---------------------------------|------------------------|
| Shared Services Joint Committee | 20/06/10 |

Report template revised June 2008



| <i>SUBJECT</i> | <i>PORTFOLIO</i> | <i>AUTHOR</i> | <i>ITEM</i> |
|---------------------------------|------------------|---------------|-------------|
| Appointment of External Auditor | N/A | G Barclay | 7(a) |

SUMMARY AND LINK TO CORPORATE PRIORITIES

This report informs members of the appointment of BDO LLP as external auditor to the Chorley & South Ribble Shared Services Joint Committee.

The Shared Services Partnership is seen as a key project by both Chorley and South Ribble Councils and makes a direct and extensive contribution to the following strategic objectives:

“Ensuring that **Chorley** Council is a consistently top performing organisation.”

“**South Ribble** is an efficient, effective and exceptional council.”

RECOMMENDATION

That the Joint Committee notes the report

DETAILS AND REASONING

Members will be aware of previous deliberations with the Audit Commission over the need for a full external audit of the Joint Committee’s annual financial statements. Under the previous Accounts & Audit Regulations this was a requirement for all bodies with a turnover in excess of £1million.

Revised Accounts & Audit Regulations have now taken affect from 31/3/2011 under which the threshold for smaller relevant bodies has increased from £1million to £6.5million. The Joint Committee is therefore now classified as a smaller relevant body and is subject to the limited assurance audit regime for 2010/11 and future years.

Under the limited assurance audit regime the Joint Committee is able to produce simplified accounts in the form of an annual return. Details of this are explained in more detail under Item 7(b) on this agenda.

As the attached letter confirms, the Audit Commission have appointed BDO LLP as the Joint Committee’s external auditor under the limited assurance audit regime for a 2 year period commencing with the audit of the 2010/11 financial statements.

The Audit Commission wrote to all affected bodies in April 2011 to consult about the implications for their fees and members will receive a verbal update of the latest position at this meeting

WIDER IMPLICATIONS

| | |
|------------------|--|
| FINANCIAL | The impact of the limited assurance audit regime on the Joint Committee’s audit fees is still under consideration and Members will receive a verbal update of the latest position at this meeting. |
|------------------|--|

| | |
|--------------|---|
| LEGAL | This report demonstrates the Joint Committee’s compliance with the revised Accounts & Audit Regulations in respect of the external auditor appointment. |
|--------------|---|

| | |
|-------------|--|
| RISK | There are no specific risk issues associated with this report. |
|-------------|--|

| | |
|--------------------------|--|
| OTHER (see below) | |
|--------------------------|--|

| | | | |
|---|--|---|---|
| <i>Asset Management</i> | <i>Corporate Plans and Policies</i> | <i>Crime and Disorder</i> | <i>Efficiency Savings/Value for Money</i> |
| <i>Equality, Diversity and Community Cohesion</i> | <i>Freedom of Information/ Data Protection</i> | <i>Health and Safety</i> | <i>Health Inequalities</i> |
| <i>Human Rights Act 1998</i> | <i>Implementing Electronic Government</i> | <i>Staffing, Training and Development</i> | <i>Sustainability</i> |

BACKGROUND DOCUMENTS

1. Accounts & Audit Regulations 2011

23 May 2011

Mrs Maureen Wood
Joint Committee Secretary
Chorley and South Ribble Shared Services Joint
Committee
Civic Centre
West Paddock
Leyland
Lancashire, PR25 1DN

Direct line 0844 798 2679
Email a-shah@audit-
commission.gov.uk

Dear Mrs Wood

Chorley and South Ribble Shared Services Joint Committee - confirmation of external auditor

I am writing to confirm the appointment of BDO LLP as external auditor to Chorley and South Ribble Shared Services Joint Committee.

This appointment is made under section 3 of the Audit Commission Act 1998 and is for a two-year period, commencing with the accounts for the year ending 31 March 2011.

In the event that BDO LLP is unable to continue with the appointment, one of the panel of jointly appointed Commission officers set out in Appendix 2 to the consultation letter of 15 April 2011 may assist with, or act solely on the audit.

Should you need to contact your auditor, the contact details are:

BDO LLP
Attention: Louise Nyland
Arcadia House
Maritime Walk
Ocean Village
Southampton, SO15 0AP

Tel: 023 8088 1700
Email: louise.nyland@bdo.co.uk

The audit will be carried out under the Commission's limited assurance approach, which covers bodies whose annual income or expenditure does not exceed £6.5 million. These bodies are required to prepare their annual accounts and annual governance statement in the form of an annual return. The annual return will be sent to you by your auditor.

Please contact me if you need to discuss this appointment further.

Audit Commission, 1st Floor, Millbank Tower, Millbank, London, SW1P 4HQ
T 0844 798 1212 F 0844 798 2945 www.audit-commission.gov.uk

Yours sincerely

A handwritten signature in black ink that reads "A - Shah." The signature is written in a cursive, slightly slanted style.

Akhlaq Shah
Senior Manager, Audit Regulation

cc Malcolm Thixton/ Louise Nyland, BDO LLP
Fiona Blatcher, Audit Commission

| <i>REPORT TO</i> | <i>DATE OF MEETING</i> |
|---------------------------------|------------------------|
| Shared Services Joint Committee | 20/06/10 |

Report template revised June 2008



| <i>SUBJECT</i> | <i>PORTFOLIO</i> | <i>AUTHOR</i> | <i>ITEM</i> |
|---|------------------|----------------------------|-------------|
| Financial & Assurance Shared Services Annual Return 2010-11 | N/A | S Guinness & Garry Barclay | 7(b) |

SUMMARY AND LINK TO CORPORATE PRIORITIES

This report presents the Annual Return for 2010/11 to Joint Committee for approval and sign off by the Chair prior to it being submitted to the external auditor by the deadline of 5th August 2011.

The Shared Services Partnership is seen as a key project by both Chorley and South Ribble Councils and makes a direct and extensive contribution to the following strategic objectives:

“Ensuring that **Chorley** Council is a consistently top performing organisation.”

“**South Ribble** is an efficient, effective and exceptional council.”

RECOMMENDATIONS

The Joint Committee approves and signs off the 2010/11 Annual Return for the Financial and Assurance Shared Services Partnership.

DETAILS AND REASONING

In previous years the Joint Committee has been required to compile and approve a Statement of Accounts. The revised accounts and audit regulations came into affect from 31st March 2011 whereby the threshold set to qualify as a smaller relevant body was increased from £1 million to £6.5 million. As a result the Joint Committee is now classed as a smaller relevant body and is now required to produce simplified accounts in the form of the attached Annual Return. The return is subject to the limited assurance audit regime for 2010/11 and future years.

Written confirmation was received from the Audit Commission in May 2011 that BDO LLP had been appointed as the external auditor, made under section 3 of the Audit Commission Act 1998. The appointment is for a two year period commencing with the accounts for year ending 31st March 2011.

With regard to the cost of external audit the amount paid in 2010/11 was £7,648. The revised arrangements are expected to incur costs in the sum of £3,000 generating a budgetary savings of £ 4,648.

The requirements of the Accounts and Audit (England) Regulations 2011 are that the Annual Return must be approved and signed by the Chair of the Joint Committee by no later than 30th June 2011 and submitted to BCO LLP by 5th August 2011 for auditing. There is also a legal requirement to enable interested parties and local electors to exercise their rights with regard to the annual accounts. As part of this process we are required to provide the electors with the opportunity to inspect the accounts and other documents before the audit and this must be advertised by means of a notice displayed for 14 days prior to the availability period. This notice will be displayed at Chorley and South Ribble from 20th June 2011 to 3rd July 2011 and the accounts and other documents will then be available for 20 working days between 4th July 2011 to 29 July 2011.

WIDER IMPLICATIONS

| | |
|------------------|--|
| FINANCIAL | The annual return section 1 provides a summary of the financial out-turn for the Partnership as at the end of the 2010/11 financial year and can be reconciled with the Annual Report. |
|------------------|--|

| | |
|--------------|--|
| LEGAL | <p>External Auditor appointed under Section 3 of the Audit Commission Act 1998.</p> <p>The Annual Return is completed to comply with Statutory Instruments – 2011 No. 817, The Accounts and Audit (England) Regulations 2011 came into affect from 31st March 2011 whereby the Joint Committee is classed as a Smaller Relevant Body.</p> <p>The Shared Services Joint Committee was established under Section 101 of the Local Government Act 1972 and provides the overall governance for the Shared Services Partnership.</p> <p>The terms of the Partnership are set out in an Administrative Collaborative Agreement which has been signed by both sponsoring Councils. The Collaborative Agreement in turn incorporates a Service Level Agreement which sets out the key outputs required of the Partnership and the individual performance measures against which it will be judged.</p> |
|--------------|--|

| | |
|-------------|--|
| RISK | A dedicated Risk Register was established at the Partnership’s inception and this has been updated to take account of the extensive progress that has now been made to mitigate the inherent risks that were faced at the outset, and to take account of any emerging risks now facing the Partnership. The updated Risk Register is set out in the Partnership Business Improvement Plan for 2011/12. |
|-------------|--|

| | |
|--------------------------|--|
| OTHER (see below) | |
|--------------------------|--|

| | | | |
|---|--|---|---|
| <i>Asset Management</i> | <i>Corporate Plans and Policies</i> | <i>Crime and Disorder</i> | <i>Efficiency Savings/Value for Money</i> |
| <i>Equality, Diversity and Community Cohesion</i> | <i>Freedom of Information/ Data Protection</i> | <i>Health and Safety</i> | <i>Health Inequalities</i> |
| <i>Human Rights Act 1998</i> | <i>Implementing Electronic Government</i> | <i>Staffing, Training and Development</i> | <i>Sustainability</i> |

BACKGROUND DOCUMENTS

1. Partnership Business Improvement Plan 2010/11.

Small Bodies in England

Annual return for the year ended 31 March 2011

Small relevant bodies in England with an annual turnover of £1 million or less must complete an annual return summarising their annual activities at the end of each financial year.

The annual return on the following pages is made up of four sections:

- Sections 1 and 2 are to be completed by the person nominated by the body.
- Section 3 will be completed by the external auditor.
- Section 4 is to be completed by the body's internal audit provider.

Each body must ensure this annual return is approved no later than 30 June 2011.

Completing your annual return

Guidance notes, including a completion checklist, are provided on page 6 and at relevant points in the annual return.

Please complete all sections highlighted in red. Do **not** leave any red box blank. Incomplete or incorrect returns may require additional external audit work and incur additional costs.

Please send the annual return, together with your bank reconciliation as at 31 March 2011, an explanation of any significant year on year variances in the accounting statements and any additional information requested, to your appointed external auditor by the due date.

If required, your auditor will identify and ask for any documents needed for audit. Unless requested, please do **not** send any original financial records to the external auditor.

Audited and certified annual returns will be returned to the body for publication or public display of sections 1, 2 and 3.

It should not be necessary for you to contact the external auditor or the Audit Commission directly for guidance.

More guidance on completing this annual return is available in the Practitioners' Guides for either local councils or internal drainage boards. These publications may be downloaded from the National Association of Local Councils (NALC) or Society of Local Council Clerks (SLCC) websites (www.nalc.gov.uk or www.slcc.co.uk) or from the members area of the Association of Drainage Authorities website (www.ada.org.uk).

Section 1 – Accounting statements for:

MINUTE REFERENCED

| | Year ending | | Notes and guidance |
|--|--------------------|--------------------|--|
| | 31 March 2010 £ | 31 March 2011 £ | |
| 1 Balances brought forward | NIL | NIL | Total balances and reserves at the beginning of the year as recorded in the body's financial records. Value must agree to Box 7 of previous year. |
| 2 (+) Income from local taxation and/or levy | NIL | NIL | Total amount of local tax and/or levy received or receivable in the year including funding from a sponsoring body. |
| 3 (+) Total other receipts | (1,676,169) | (1,734,316) | Total income or receipts as recorded in the cashbook less income from taxation and/or levy (line 2). Include any grants received here. |
| 4 (-) Staff costs | 1,549,940 | 1,677,361 | Total expenditure or payments made to and on behalf of all body employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and employment expenses. |
| 5 (-) Loan interest/capital repayments | NIL | NIL | Total expenditure or payments of capital and interest made during the year on the body's borrowings (if any). |
| 6 (-) All other payments | 126,229 | 116,955 | Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5). |
| 7 (=) Balances carried forward | NIL | NIL | Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6) |
| 8 Total cash and short term investments | NIL | NIL | The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – to agree with bank reconciliation. |
| 9 Total fixed assets and long term assets | NIL | NIL | The recorded book value at 31 March of all fixed assets owned by the body and any other long term assets e.g. loans to third parties and any long-term investments. |
| 10 Total borrowings | NIL | NIL | The outstanding capital balance as at 31 March of all loans from third parties (including PWLB). |

I certify that for the year ended 31 March 2011 the accounting statements in this annual return present fairly the financial position of the body and its income and expenditure, or properly present receipts and payments, as the case may be.

Signed by Responsible Financial Officer:

SIGNATURE REQUIRED

Date 20/06/2011

I confirm that these accounting statements were approved by the body on:

20/06/2011

and recorded as minute reference:

MINUTE REFERENCED

Signed by Chair of meeting approving these accounting statements:

SIGNATURE REQUIRED

Date 20/06/2011

Section 2 – Annual governance statement

We acknowledge as the members of INTERNATIONAL PROTECTIVE BODY / IPRB our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2011, that:

| | Agreed – Yes or No* | 'Yes' means that the body: |
|---|------------------------|---|
| 1 We have approved the accounting statements prepared in accordance with the requirements of the Accounts and Audit Regulations and proper practices. | YES | prepared its accounting statements in the way prescribed by law. |
| 2 We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness. | YES | made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge. |
| 3 We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the body to conduct its business or on its finances. | YES | has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so. |
| 4 We have provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations. | YES | during the year has given all persons interested the opportunity to inspect and ask questions about the body's accounts. |
| 5 We have carried out an assessment of the risks facing the body and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required. | YES | considered the financial and other risks it faces and has dealt with them properly. |
| 6 We have maintained throughout the year an adequate and effective system of internal audit of the body's accounting records and control systems. | YES | arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of the body. |
| 7 We have taken appropriate action on all matters raised in reports from internal and external audit. | YES | responded to matters brought to its attention by internal and external audit. |
| 8 We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the body and where appropriate have included them in the accounting statements. | YES | disclosed everything it should have about its business activity during the year including events taking place after the year-end if relevant. |

This annual governance statement is approved by the body and recorded as minute reference

MINUTE REFERENCED

dated 20/06/2011

Signed by:

Chair SIGNATURE REQUIRED

dated 20/06/2011

Signed by:

Clerk SIGNATURE REQUIRED

dated 20/06/2011

***Note:** Please provide explanations to the external auditor on a separate sheet for each 'No' response that has been given; and describe what action is being taken to address the weaknesses identified.

Section 3 – External auditor’s certificate and opinion

Certificate

We certify that we have completed the audit of the annual return for the year ended 31 March 2011 of

[Redacted Name of the Body]

Respective responsibilities of the body and the auditor

The body is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The body prepares an annual return in accordance with proper practices which:

- summarises the accounting records for the year ended 31 March 2011; and
- confirms and provides assurance on those matters that are important to our audit responsibilities.

Our responsibility is to conduct an audit in accordance with guidance issued by the Audit Commission and, on the basis of our review of the annual return and supporting information, to report whether any matters that come to our attention give cause for concern that relevant legislation and regulatory requirements have not been met.

External auditor’s report

(Except for the matters reported below)* on the basis of our review, in our opinion the information in the annual return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.
 (*delete as appropriate).

(continue on a separate sheet if required)

Other matters not affecting our opinion which we draw to the attention of the body:

(continue on a separate sheet if required)

External auditor’s signature

External auditor’s name Date

Note: The auditor signing this page has been appointed by the Audit Commission and is reporting to you that they have carried out and completed all the work that is required of them by law. For further information please refer to the Audit Commission’s publication entitled *Statement of Responsibilities of Auditors and of Audited Small Bodies*.

Section 4 – Annual internal audit report to

INTERNAL AUDIT REPORT

The body's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2011.

Internal audit has been carried out in accordance with the body's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the body.

| Internal control objective | Agreed? Please choose from one of the following Yes/No*/Not covered** |
|---|---|
| A Appropriate accounting records have been kept properly throughout the year. | YES |
| B The body's financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for. | YES |
| C The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these. | YES |
| D The annual taxation or levy or funding requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate. | YES |
| E Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for. | NOT COVERED |
| F Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for. | NOT COVERED |
| G Salaries to employees and allowances to members were paid in accordance with body approvals, and PAYE and NI requirements were properly applied. | YES |
| H Asset and investments registers were complete and accurate and properly maintained. | NOT COVERED |
| I Periodic and year-end bank account reconciliations were properly carried out. | YES |
| J Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, were supported by an adequate audit trail from underlying records, and, where appropriate, debtors and creditors were properly recorded. | YES |

For any other risk areas identified by the body (list any other risk areas below or on separate sheets if needed) adequate controls existed:

Name of person who carried out the internal audit: GARRY BARCLAY

Signature of person who carried out the internal audit: G Barclay Date: 16/06/11

***Note:** If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

****Note:** If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, internal audit must explain why not (add separate sheets if needed).

Guidance notes on completing the 2011 annual return

- 1 Proper practices for preparing this annual return are found in the *Practitioners' Guides**. These publications are regularly updated and contain everything you should need to prepare successfully for your financial year-end and the subsequent audit. Both NALC and SLCC have helplines should you wish to talk through any problem you may encounter.
- 2 Please make sure that your annual return is complete (i.e. no empty red boxes), and is properly signed and dated. Avoid making any amendments to the completed return. But, if this is unavoidable, make sure the amendments are approved by the body, properly initialled and an explanation for them is provided to the auditor. Annual returns containing unapproved or unexplained amendments will be returned unaudited and may incur additional costs.
- 3 Use the checklist provided below. Use a second pair of eyes, perhaps a member or the Chair, to review your annual return for completeness before sending it off to the auditor.
- 4 Please do not send the auditor any information not specifically asked for. Doing so is not helpful. However, you must advise the auditor of any change in Clerk, Responsible Financial Officer or Chair.
- 5 Make sure that the copy of the bank reconciliation which you send to your auditor with the annual return covers **all** your bank accounts. If your body holds any short-term investments, please note their value on the bank reconciliation. The auditor should be able to agree your bank reconciliation to Box 8 on the Statement of Accounts. **You must provide an explanation for any difference between Box 7 and Box 8.** More help on bank reconciliation is available in the *Practitioners' Guides**.
- 6 Please **explain fully** significant variances in the accounting statements. Do not just send in a copy of your detailed accounting records instead of this explanation. The auditor wants to know that **you** understand the reasons for all variances. Please include a complete analysis to support your explanation. There are a number of examples provided in the *Practitioners' Guides** to assist you.
- 7 If the auditor has to review unsolicited information, or receives an incomplete bank reconciliation, or you do not fully explain variances, this may incur additional costs for which the auditor will make a charge.
- 8 Please make sure that your accounting statements add up! Also please ensure that the balance carried forward from the previous year (Box 7 of 2010) equals the balance brought forward in the current year (Box 1 of 2011).
- 9 **Do not complete section 3.** The external auditor will complete it at the conclusion of their audit.

| Completion checklist – 'No' answers mean you may not have met requirements | | Done? |
|--|--|-------------------------------------|
| All sections | All red boxes have been completed? | <input checked="" type="checkbox"/> |
| | All information requested by the external auditor has been sent with this annual return? Please refer to your notice of audit. <i>by 05/08/11.</i> | <input type="checkbox"/> |
| Section 1 | Approval by the body confirmed by signature of Chair of meeting approving the accounting statements? <i>on 20/06/11.</i> | <input type="checkbox"/> |
| | An explanation of significant variations from last year to this year is provided? | <input checked="" type="checkbox"/> |
| | Bank reconciliation as at 31 March 2011 agreed to Box 8? | <i>N/A</i> |
| | An explanation of any difference between Box 7 and Box 8 is provided? | <i>N/A</i> |
| Section 2 | For any statement to which the response is 'no', an explanation is provided? | <i>N/A</i> |
| Section 4 | All red boxes completed by internal audit and explanations provided? | <input checked="" type="checkbox"/> |

**Note: Governance and Accountability for Local Councils in England – A Practitioners' Guides, is available from NALC and SLCC representatives or Governance and Accountability for Internal Drainage Boards in England – A Practitioners' Guides, is available from the ADA at The Association of Drainage Authorities, 12 Cranes Drive, Surbiton, Surrey, KT5 8AL or from the NALC, SLCC or ADA websites - see page 1 for addresses.*

SHARED SERVICES JOINT COMMITTEE

FORWARD PLAN

| Date of Meeting | Subject | Lead Officer |
|----------------------------------|--|-------------------------|
| 20 June 2011 (Annual Meeting) | Appointment of Chairman & Vice Chairman | |
| | Annual Report 2010/11 | GH/MN |
| | Performance Management Report | GB/SG |
| | Draft Statement of Accounts 2010/11 | GH/MN |
| | Project Initiation Document (PID) | IP |
| | | |
| 26 September 2011 | Audited Statement of Accounts 2010/11 a) Auditor's Annual Governance Report b) Audited Statement of Accounts 2010/11 | External Audit GH/MN |
| | | |
| 17 October 2011 | Performance Management Report | GB/SG |
| | Business Planning for 2012/13 | GH/MN |
| | | |
| 23 January 2012 | Annual Audit & Inspection Letter 2010/11 | GH/MN |
| | Audit Fee & Opinion Plan 2011/12 | GH/MN |
| | Performance Management Report | GB/SG |
| | Business Improvement Plan & Budget 2012/13 | GB/SG |
| | | |
| 26 March 2012 | Performance Management Report | GB/SG |
| | | |
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