

## **WIRRAL COUNCIL**

### **AUDIT & RISK MANAGEMENT COMMITTEE**

**19 SEPTEMBER 2012**

|                                     |                                      |
|-------------------------------------|--------------------------------------|
| <b>SUBJECT</b>                      | <b>STATEMENT OF ACCOUNTS 2011/12</b> |
| <b>WARD/S AFFECTED</b>              | <b>ALL</b>                           |
| <b>REPORT OF</b>                    | <b>DIRECTOR OF FINANCE</b>           |
| <b>RESPONSIBLE PORTFOLIO HOLDER</b> | <b>COUNCILLOR PHIL DAVIES</b>        |
| <b>KEY DECISION</b>                 | <b>YES</b>                           |

#### **1.0 EXECUTIVE SUMMARY**

- 1.1. The Council Constitution allocates responsibility for the approval of the Statement of Accounts to the Audit & Risk Management Committee. The Statement for 2011/12 was published on 29 June 2012 and was then subject to audit. The District Auditor will present his findings, within the Annual Governance Report (AGR) together with any additional update, to this meeting.
- 1.2. Members are requested to consider the findings of the District Auditor, agree the Letter of Representation, agree the Action Plan and then approve the Statement of Accounts for 2011/12.
- 1.3. The Statement of Accounts includes the Merseyside Pension Fund (MPF) accounts as Wirral Council is the Administering Authority for MPF. As the MPF receives a separate Annual Governance Report this has to be considered by Pensions Committee and also this Committee as part of approving the Accounts.

#### **2.0 BACKGROUND AND KEY ISSUES**

##### **INTRODUCTION**

- 2.1 The purpose of the Statement of Accounts is to present the overall financial position of the Council at 31 March 2012 in accordance with prescribed guidance – the Code of Practice on Local Authority accounting in the United Kingdom (the Code). This is updated annually and specifies the accounting principles and practices required to prepare a Statement of Accounts which present a true and fair view of the financial position.
- 2.2 The Accounts and Audit Regulations 2003, as amended in 2011, state that the Statement of Accounts must be approved by an appropriate Committee no later than 30 September. The Chief Finance Office was required to certify the Accounts by 30 June 2012. On 29 June 2012 the Accounts were issued to all Members of this Committee and made publicly available.

- 2.3 On 4 September 2012 a briefing session was held for Members of this `Committee with the session open to all Members of the Council entitled 'Understanding the Council's published final accounts'. The session included:-
- Overview and role of the Audit & Risk Management Committee which included legal requirements, roles, responsibilities and the process.
  - Statement of Accounts 201/112 which included a review of the contents, a focus of the Financial Statements and highlights of the key areas.
  - Changes in 2011/12 which covered the changes to the accounts as well as the changes to Council procedures to deliver improvements to the production and accuracy of the statements.
  - Overview of the Merseyside Pension Fund accounts for 2011/12 based on the more detailed presentation to Pensions Committee.
- 2.4 The Accounts published at 30 June are subject to audit. Under the Audit Commission Act 1998 and the Audit Commission Code of Audit Practice for Local Government the District Auditor reports on the financial statements. As stipulated by the Regulations, these are to be reported prior to 30 September.

#### **AMENDMENTS TO THE STATEMENT OF ACCOUNTS**

- 2.5 The amendments to the financial statements requested by the District Auditor are detailed in the Annual Governance Report (Appendix 2). One item results in an increase in the level of General Fund balance and a reduction in the level of provisions whilst the other is an adjustment between accounts. Members are asked to consider whether or not they agree to the amendments which have been agreed by officers.
- 2.6 The District Auditor has also identified a potential misstatement which has not been adjusted in the Accounts (Appendix 3). Members are asked to consider whether or not they would want to adjust the Statement of Accounts. This item relates to an item that was considered, and not adjusted, in the 2010/11 Accounts. There is no recurrence of the issue in 2011/12 but is included this year as the 2011/12 Accounts include the previous year for comparative purposes. Any unadjusted misstatement must be referred to in the Letter of Representation.
- 2.7 The amendments result in an increase in the General Fund balance of £0.3 million and a corresponding reduction in the level of provisions at 31 March 2012 compared to that reported to Cabinet on 21 June 2012.

#### **AUDITOR'S REPORT AND OPINION**

- 2.8 The Audit Opinion will be issued following Committee consideration of the Annual Governance Report, approval of any amendments to the Statement of Accounts and agreement of the Letter of Representation. The District Auditor will issue his opinion before 30 September 2012 and state if the accounts are a true and fair view of the financial position of the Council at 31 March 2012.

- 2.9 The Auditor's report will be incorporated within the final version of the Statement of Accounts that will enable the accounts to be agreed and published by the statutory deadline of 30 September 2012.
- 2.10 Besides commenting on the Financial Statements the District Auditor also reports on 'Matters by exception'. He refers to the Annual Governance Statement, for which a report updating this is on this agenda, and the report in the public interest in respect of the Highways and Engineering Services contract. Under Value for Money he concludes that the Council has not made proper arrangements to secure economy, efficiency and effectiveness in the use of resources and issues remain in respect of governance which the Council has acknowledged in the Wirral Improvement plan and latest financial monitoring reports to Cabinet.

### **COMMENTS**

- 2.11 In his 2010/11 report the District Auditor highlighted the fact that the Accounts were presented after the deadline of 30 June 2011, were subject to change, the working papers presented at the time were incomplete and not of the required standard and the quality assurance was not evident. The production of the 2010/11 Accounts presented the Council with a number of challenges primarily from 2010/11 being the first year upon which the Accounts were fully prepared under International Financial Reporting Standards (IFRS) but also that the capacity within the Financial Services Division was limited to manage the competing pressures placed upon the Division (as referred to in Recommendation 7 in the AGR Action Plan). It should be noted that despite these issues he gave an unqualified opinion on the Accounts for 2010/11 which were published by the statutory deadline and there were no changes to the financial position that had been reported to Cabinet.
- 2.12 As reported to Committee in February 2012 a review was undertaken of the 2010/11 closedown and based upon this review, the lessons learnt, the comments of the Audit Commission and the experience of the initial year of completing accounts under IFRS to inform the completion of accounts plan for 2011/12. Actions were taken to improve procedures, including greater use of systems, and implement greater discipline into the process in 2011/12. This included a re-focussing of activities to realise capacity through re-organisation rather than the recruitment of additional resources. This approach helped deliver a smoother final accounts process and the District Auditor has reported that he 'received good quality statements in accordance with the statutory deadline which shows evidence of quality assurance and significantly better closedown arrangements than in previous years'. However the issue of competing pressures within the Financial Services Division does remain as capacity is limited and the management of the pressures has proven to be a considerable challenge since the commencement of the current financial year.

- 2.13 The Council continues to improve and enhance its asset records and systems. Since this was first highlighted considerable work has been undertaken to make improvements including the requirement in 2011/12 to separately identify Heritage Assets, and the progress made acknowledged by the Audit Commission. There remains scope for further improvements, particularly with regard to Infrastructure Assets for which work is being undertaken with the Technical Services Department.

### **LETTER OF REPRESENTATION**

- 2.14 The Letter has to be agreed by this Committee and a draft Letter of Representation is included as an Appendix to this report. This may be subject to change following the outcome of the further work and any update to this meeting by the District Auditor referred to in the Executive Summary.

### **ANNUAL GOVERNANCE STATEMENT (AGS)**

- 2.15 This Statement is the subject of a separate report to this Committee and, although not required to be included in the Statement of Accounts, is included as it shows how the Council has ensured the effectiveness of its systems for ensuring that it operates legally and that public money is properly used and accounted for.
- 2.16 Committee is advised that the previously agreed AGS has been amended to better reflect the position of the Council as at September 2012 given external reports received since March 2012 and the progress made with regard to the Wirral Improvement Plan which was agreed at Cabinet on 6 September 2012. The agreed AGS for 2011/12 will be incorporated within the Statement of Accounts 2011/12 to be published by 30 September.

### **3.0 RELEVANT RISKS**

- 3.1 The District Auditor has identified a number of concerns in his report. If not addressed by the Council then there are potential risks that the Council will not be able to meet its statutory requirements in respect of the Statement of Accounts. There are also concerns relating to the Annual Governance Statement and Value for money.

### **4.0 OTHER OPTIONS CONSIDERED**

- 4.1 The Statement of Accounts has to be produced in accordance with statutory guidance and the Statement is then subject to review by the appointed Auditor.

### **5.0 CONSULTATION**

- 5.1 There has been no specific consultation in respect of this report.

## **6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

6.1 There are none arising directly from this report.

## **7.0 RESOURCE IMPLICATIONS**

7.1 The amendments to the Statement of Accounts 2011/12 have resulted in an increase of £0.3 million in the level of the General Fund balance and a corresponding reduction in the level of provisions compared to that reported to Cabinet on 21 June 2012.

7.2 The Annual Governance Report previously made reference to the adequacy of the level of staffing resources within the Financial Services Division. Whilst actions were taken to ensure the Accounts for 2011/12 were successfully completed, and to a better standard than in previous years, issues do remain about the capacity within the Division.

7.3 There are no IT or asset implications arising from this report.

## **8.0 LEGAL IMPLICATIONS**

8.1 It is a legal requirement to publish the Statement of Accounts by 30 September 2012.

## **9.0 EQUALITIES IMPLICATIONS**

9.1 There are no equality implications arising directly from the production of the Statement of Accounts so an Equality Impact Assessment (EIA) is not required. If requested then arrangements can be made to provide the Accounts in both different languages and formats.

## **10.0 CARBON REDUCTION IMPLICATIONS**

10.1 There are none arising directly from this report.

## **11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

11.1 There are none arising directly from this report.

## **12.0 RECOMMENDATIONS**

12.1 That Committee consider the Annual Governance Report presented by the District Auditor noting the actions taken over the amendments to the Statement of Accounts as detailed in section 2 of this report.

12.2 That Committee approve the Letter of Representation (Appended to this report) on behalf of the Council.

- 12.3 That Committee agree the action plan within the Annual Governance Report (as updated in the Appendix to this report).
- 12.4 That subject to the above, Committee approve the Statement of Accounts for 2011/12.

### **13.0 REASON FOR RECOMMENDATIONS**

- 13.1 Audit & Risk Management Committee has responsibility for approving the Statement of Accounts on behalf of the Council which is a requirement under the Accounts and Audit Regulations 2003, as amended in 2011.

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### **APPENDICES**

Letter of Representation.  
 Annual Governance Report 2011/12 Action Plan.  
 Statement of Accounts 2011/12.

### **BACKGROUND PAPERS**

Annual Governance Report for Wirral Council issued by the Audit Commission September 2012.

### **REFERENCE MATERIAL / SUBJECT HISTORY**

| <b>Council Meeting</b>  | <b>Date</b>       |
|---|-------------------|
| Audit & Risk Management Committee<br>Audit Commission Annual Governance Report –<br>- Merseyside Pension Fund<br>- Merseyside Pension Fund Accounts 2010/11<br>Audit Commission Annual Governance Report –<br>- Wirral Council<br>- Statement of Accounts 2010/11 | 28 September 2011 |
| Pensions Committee<br>Audit Commission Annual Governance Report –<br>- Merseyside Pension Fund<br>- Merseyside Pension Fund Accounts 2011/12  | 18 September 2012 |