

## **WIRRAL COUNCIL**

### **CABINET**

**18 OCTOBER 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 draft Statement for 2011/12 was published on 29 June 2012 and was then subject to audit. The District Auditor presented his findings, within the Annual Governance Report (AGR) and an additional update to Audit & Risk Management Committee on 19 September 2012. The Statement of Accounts 2011/12 was then published on 28 September 2012 before the statutory deadline of 30 September 2012.
- 1.2. 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 was considered by Pensions Committee on 18 September 2012 and Audit & Risk Management Committee on 19 September 2012 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 the Audit & Risk Management Committee and made publicly available.

- 2.3 On 4 September 2012 a briefing session was held for Members of the Audit & Risk Management 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 2011/12 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 reported to the Audit & Risk Management Committee 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 resulted 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.
- 2.6 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**

- 2.7 The District Auditor issued his opinion on 25 September 2012. In giving an unqualified opinion he stated that the accounts are a true and fair view of the financial position of the Council at 31 March 2012 and have been prepared properly in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.
- 2.8 Besides commenting on the Financial Statements the District Auditor also reports on 'Matters by exception'. He refers to 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. The completed AGR action plan is appended to this report.

## **COMMENTS**

- 2.9 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.
- 2.10 As reported to Audit & Risk Management 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.
- 2.11 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.

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

- 2.12 This Statement is the subject of a separate report on this agenda 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.

- 2.13 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 was incorporated within the Statement of Accounts 2011/12 that was published on 28 September 2012.

### **3.0 RELEVANT RISKS**

- 3.1 If concerns raised by the District Auditor are 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 raised in the Annual Governance Report.

### **4.0 OTHER OPTIONS CONSIDERED**

- 4.1 The Statement of Accounts has to be produced in accordance with statutory guidance and the Statement being 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 Cabinet agrees the Statement of Accounts for 2011/12 and the Annual Governance Report.

## **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**

Annual Governance Report 2011/12 - Action Plan.  
Independent Auditor's Report issued by the District Auditor 25 September 2012.

Note : Statement of Accounts 2011/12 - as the document is in excess of 180 pages it has not been appended but can be accessed via the Council web-site.

## **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 Audit Commission Annual Governance Report – - Merseyside Pension Fund Merseyside Pension Fund Accounts 2010/11 Audit Commission Annual Governance Report – - Wirral Council Statement of Accounts 2010/11	28 September 2011
Audit & Risk Management Committee Audit Commission Annual Governance Report – - Merseyside Pension Fund Merseyside Pension Fund Accounts 2011/12 Audit Commission Annual Governance Report – - Wirral Council Statement of Accounts 2011/12	19 September 2012