

# Annual governance report

Wirral Council

Audit 2011/12



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# Key messages

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**This report summarises the findings from the 2011/12 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.**

## Financial statements

Subject to satisfactory completion of a number of outstanding issues, I intend to issue an audit report including an unqualified opinion on the financial statements (including the Merseyside Pension Fund statements) 2011/12. As at 3 September 2012 there are two non-material audit adjustments that are being amended by management. One of these adjustments increases the overall general fund balance by £319k.

I 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. I also received good quality working papers on the first day of the audit enabling my team to select samples for further testing promptly and progress the audit efficiently.

I identified significant weaknesses in your systems of internal control in respect of assets, accounts payable and journals. Improvements have been made in the controls over a number of asset types this year,, but some issues still remain,

As part of my audit report I am required to report 'Matters on which I report by exception'. As at 3 September I plan to report two such matters:

- in my opinion the annual governance statement presented for audit does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issued a report in the public interest in respect of the award and contract management of your Highways and Engineering Services contract under section 8 of the Audit Commission Act 1998 on 8 June 2012.

## Value for money (VFM)

I expect to conclude that you have not made proper arrangements to secure economy, efficiency and effectiveness in your use of resources and issue a report by exception on your arrangements for good governance and risk management and internal control. The key issues that have

contributed to my adverse conclusion have been acknowledged by the Council in its reports to the Local Government Association (LGA) Improvement Board, in the Improvement Plan and in the latest financial monitoring reports to Cabinet:

- Securing financial resilience – the Council did not have robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. In particular there were weaknesses in leadership and financial governance that have diverted action from delivering improvement. The Council continues to face a number of significant financial challenges most notably developing robust plans to address the projected shortfall of around £100 million for 2012 – 2015, the recurrent overspend in Adult Social Services and the 2012/13 projected overspend at June 2012.
- Securing economy, efficiency and effectiveness – the Council did not prioritise its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity. There was a lack of clarity about the Council’s strategic priorities due to the changes in leadership and the Corporate Plan resulting in a lack of a strategic approach to challenging spend and considering how spending matched the priorities of the Council. Cost reduction plans were not achieved and there was limited information to demonstrate that there was an increase in productivity and better output from more limited resources, most notably in respect of the Highways and Engineering Services contract.
- Report by exception - The Council has yet to address the corporate governance weaknesses which have been repeatedly identified. In addition there were weaknesses in corporate arrangements for risk management, compliance with policies, procedures and aspects of internal control.

## Certificate

Subject to satisfactory completion of a number of outstanding issues I would like to issue my certificate by 28 September 2012. My draft Audit report currently refers to a possible delay in the certificate due to a number of outstanding matters. I am endeavouring to resolve these matters as a matter of urgency.

# Before I give my opinion and conclusion

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**My report includes only matters of governance interest that have come to my attention in performing my audit. I have not designed my audit to identify all matters that might be relevant to you.**

## Independence

I can confirm that I have complied with the Auditing Practices Board's Ethical Standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence.

I am aware of the following relationship that might constitute a threat to independence and that I am required to report to you. I have therefore put in place the following safeguard to reduce the threat.

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Table 1: **Threats and safeguards**

Threat	Safeguard
The son of a member of the audit team works at the Council in the Insurance Section in Finance.	The team member will not carry out any work on payroll or insurance.

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## Non-audit work

During the year the Audit Commission's Audit Practice undertook non-audit work for the Council in respect of:

- attending the LGA Improvement Board; and
- providing information for the Council's value for money report to members following the qualification of the 2010/11 vfm conclusion.

## **I ask the Audit and Risk Management Committee to:**

- consider the matters raised in the Pension Fund Annual Governance Report and the recommendation of the Pensions Committee; note the adjustments, approve the letter of representation and agree your response to the action plan;
- consider the matters raised and take note of the adjustments to the financial statements included in this report (appendices 2 and 3);
- approve the letter of representation (appendix 4), on behalf of the Council before I issue my opinion and conclusion; and
- agree your response to the proposed action plan (appendix 6).

# Financial statements

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**The Authority's financial statements and annual governance statement are important means by which the Authority accounts for its stewardship of public funds. As elected members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.**

## Opinion on the financial statements

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

## Merseyside Pension Fund

As Wirral Council is the administering authority for the Merseyside Pension Fund (MPF), the Fund's accounts form part of the Council's statement of accounts. As at 3 September 2012 the audit of the Pension Fund is substantially complete and there is a separate Annual Governance Report (AGR) that is being considered by the Pensions Committee on 18 September and the Audit and Risk Management Committee on 19 September. The Pension Fund AGR also states that subject to satisfactory clearance of outstanding matters on the MPF accounts, I plan to issue an unqualified opinion on the financial statements. Members need to consider the issues in the Pension Fund AGR prior to considering and approving the overall statement of accounts.

## Outstanding matters

As at 3 September I still need to complete the following audit procedures:

- final review of leases, exit packages, related party transactions and tangible fixed assets;
- final check of the amended statements;
- completion of the review of the Whole of Government Accounts (WGA); and
- completion of review of the amended Annual Governance Statement (AGS).

## Uncorrected errors

Subject to the completion of outstanding audit work there are no material or non-trivial uncorrected errors in the 2011/12 statement of accounts to report to Members.

My 2010/11 audit found that there were two uncorrected errors of £6m in the Comprehensive Income and Expenditure Statement (CIES) which net each other off and have no impact on balances carried forward. The Council has been unable to correct these items and they remain an uncorrected error in the comparators for the current year statements. This item is detailed at Appendix 2. I have asked you to confirm that the error has no impact on the 2011/12 figures in your letter of representation at appendix 4.

## Corrected errors

I identified two non-trivial items that officers have corrected in the main financial statements. The correction of an overstated provision has resulted in the recognition of an additional contingent liability and a release of £319k from provisions to increase the General Fund balance by the same amount.

The corrected non-trivial errors are detailed at Appendix 3.

## Significant risks and my findings

I reported to you in my January 2012 Audit Plan the significant risks that I identified relevant to my audit of your financial statements. In Table 2 I report to you my findings against each of these risks.

Table 2: Risks and findings

Risk	Finding
<p>Accuracy and consistency of financial statements and working papers</p> <p>In 2010/11 and in previous years:</p> <ul style="list-style-type: none"> <li>■ the accounts approved by the Deputy Chief Executive and Director of Finance and presented for audit contained a number of material and other errors;</li> <li>■ I identified a number of areas where policies were not complied with and financial statements disclosures were not consistent within the accounts;</li> <li>■ I received a number of versions of statements to audit.</li> </ul> <p>In 2010/11, the deadline for approval of the accounts by the Deputy Chief Executive and Director of Finance and the Council's plan for the restatement to IFRS were not met. Working papers were not presented for audit to the deadline and some were not to standard.</p> <p>These factors all led to difficulties during the audit that impacted on our timetable, resources and reporting to members and put at risk the issue of the Auditor's Report and the publishing of the audited accounts by the statutory deadline.</p>	<p>I reviewed:</p> <ul style="list-style-type: none"> <li>■ the design and implementation of the management controls you put in place to produce the statement of accounts including the Council's closedown plans;</li> <li>■ achievement of the timetable for closedown;</li> <li>■ your response to action plans in respect of the 2010/11 pre statements report and final opinion memo to officers and the Annual Governance Report presented to members in respect of: <ul style="list-style-type: none"> <li>– Quality assurance arrangements</li> <li>– Working papers</li> <li>– Accuracy of the statements.</li> </ul> </li> </ul> <p>The accuracy and consistency of the financial statements and working papers has improved significantly this year:</p> <ul style="list-style-type: none"> <li>■ The accounts certified by the Acting Director of Finance and presented for audit contained no material errors and only two non-trivial errors;</li> <li>■ Disclosures were more consistent within the accounts;</li> <li>■ I received one pre-audit version of the statements rather than several different versions as in previous years;</li> <li>■ The deadline for certification of the statements was met;</li> <li>■ Working papers were available from the first day of the audit and were of a good standard.</li> </ul>
<p>Heritage Assets</p> <p>The 2011/12 Code adopts the requirements of Financial Reporting Standard (FRS) 30 Heritage Assets and also requires retrospective restatement in a number of accounts (1 April 2010 &amp; 31 March 2011). There is a risk</p>	<p>I evaluated the design and implementation of the management controls you have in place to recognise and value heritage assets. I also carried out testing to check that the Council has accounted for heritage assets in accordance with FRS 30 and the Code and the financial statements are materially stated.</p> <p>I reviewed the identification of heritage assets and verified their existence and Council</p>

Risk	Finding
<p>that the Authority may be unable to identify and account for all heritage assets due to previous problems with restatements and the recording of and accounting for assets.</p>	<p>ownership. There are no material items to bring to your attention but I noted that in some cases, for example, there is not a full listing of items that make up the accounting value recorded in the accounts.</p>
<p>Surplus/deficit on the revaluation of Property Plant and Equipment (PPE) assets disclosed</p> <p>The pre-audit statements 2010/11 included a material error in the Comprehensive Income and Expenditure Statement (CIES) - Surplus/deficit on the revaluation of Property Plant and Equipment (PPE) assets disclosed. The audited financial statements included a (non-material) balance of £6m as an unadjusted error on the face of the CIES in respect of the deficit on the revaluation of Property Plant and Equipment (PPE) assets disclosed. The corresponding entries would have been at a number of service expenditure lines. There is a risk that if this is not resolved the balance could be material in 2011/12.</p>	<p>I evaluated the design and implementation of the controls you have in place over the use and recognition of capital grants. I carried out testing on the resolution of the £6m unadjusted error from 2010/11 and specific testing on the surplus or deficit on the revaluation of PPE. The unadjusted error from 2010/11 is noted above under 'uncorrected errors' and at appendix 2. It will also need to be referred to in your letter of management representation.</p> <p>My testing of the 2011/12 Comprehensive Income and Expenditure Statement (CIES) - Surplus/deficit on the revaluation of Property Plant and Equipment (PPE) assets disclosed has not identified any significant issues to bring to your attention.</p>
<p>Valuation of property, plant and equipment (PPE)</p> <p>The Authority is required to value PPE at fair value (with some exceptions). There is a risk that the valuation reported in the financial statements will be materially misstated due to incorrect classification or application of accounting standards, incomplete asset records or lack of timely and quality assured closedown and communication between Finance and Valuers.</p>	<p>I reviewed the design and implementation of the controls over identifying assets, establishing estimates, including arrangements for instructing your valuer and controls over information provided to the valuer. I carried out procedures for reliance on the work of the valuer and tests of detail on valuations and associated depreciation calculations. I have noted improvements in the process and the Council's responses to my recommendations last year, but some internal control issues remain as noted in the Weaknesses in Internal Control section below.</p>
<p>Schools</p> <p>In most local authorities schools are managed through a variety of governance arrangements. The difference in</p>	<p>I reviewed:</p> <ul style="list-style-type: none"> <li>■ the design and implementation of the controls and the Authority's consideration of schools and the International Accounting Standard (IAS 16) recognition criteria;</li> </ul>

## Risk

those arrangements has implications for the accounting treatment. There may be a risk that the Authority has materially misstated its PPE due to the incorrect inclusion or omission of schools in its balance sheet.

## Finding

- consistency with the accounting policy.

I carried out tests of detail on the accounting treatment of a sample of schools held on the balance sheet and a sample of schools not recognised on the balance sheet against the IAS 16 recognition criteria.

My testing has not identified any significant issues to bring to your attention.

## Significant weaknesses in internal control

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

I have tested the controls of the Authority only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control. I have reviewed the Annual Governance Statement (AGS) and in my opinion the statement presented for audit:

- does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; and
- is not consistent with other information that I am aware of from my audit.

My judgement is explained in more detail at 'Matters on which I report by exception' below.

The following weaknesses in internal control are only those I have identified during the audit that are relevant to preparing the financial statements.

Table 3: **Internal control issues and my findings**

Description of weakness	Potential impact	Management action
Assets – some weaknesses remain in the controls over asset verification. The valuer has not recorded specific site visits and consideration of impairment. Improvements have been made in finance team verification work covering the land and building elements of assets and vehicles, plant and equipment.	The Council may not have sufficient controls in place to assure themselves of the accuracy of Property, Plant and Equipment disclosures. For Infrastructure Assets there is a risk of non-compliance with the 2012/13 reporting requirements.	Issues from 2010/11 Annual Governance Report implemented following September 2011, and further recommendations from our interim memo of February 2012 continue to be implemented.

Description of weakness	Potential impact	Management action
Infrastructure assets and historic cost valuation are not fully componentised.		
Accounts payable – my testing of the system found a number of weaknesses in the application and adherence to authorisation controls.	I was unable to rely on the controls in the system and carried out detailed substantive testing of transactions. My additional testing found no errors in the statements, however the nature of the testing covers only a sample of expenditure and there is a risk the Council is committed to expenditure that has not been authorised in line with standing orders and processes.	Detailed recommendations from my 2011/12 interim report of February 2012 are being implemented in 2012/13.
Journals – my testing found that authorisation processes for journals required strengthening.	My testing of material journals found no errors. However the risk of unauthorised journals or no separation of duties between raising and authorisation is that the accuracy of the main accounting system could be compromised.	Recommendations to strengthen controls from my interim report of February 2012 are being implemented in 2012/13
Related Party declarations – Six members and two senior officers did not complete the declarations (One member was in respect of the Pension Fund).	The Council may not be aware of related party relationships that should be disclosed	Management responded to my recommendation from 2010-11 and all exiting members completed a declaration, apart from one Pensions Committee member. The five incomplete member returns are from current members.
<p>The following item has been identified in the Merseyside Pension Fund Annual Governance Report –</p> <ul style="list-style-type: none"> <li>■ An ex employee of the Fund is still listed as authorised to receive correspondence from external bodies, for example, Fund Managers. This employee has not been</li> </ul>	The Merseyside Pension Fund Annual Governance Report highlights the potential impact of this weakness.	The Merseyside Pension Fund Annual Governance Report includes recommendations and an action plan.

Description of weakness	Potential impact	Management action
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working at MPF for a period of 3 years.

### Recommendation

**R1** Improve controls for property plant and equipment and ensure infrastructure asset records are sufficient for the 2012/13 reporting requirements.

**R2** Ensure weaknesses in the application and adherence to the procedures for the authorisation controls in the accounts payable system are addressed.

**R3** Strengthen segregation of duties and authorisation processes for journals.

**R4** Ensure all officers and members complete declarations in respect of related party transactions.

### Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Authority's financial reporting process including the following.

- Qualitative aspects of your accounting practices
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest

I wish to report other matters as noted below:

Table 4: **Other matters**

Issue	Finding
Qualitative aspects of your accounting practices - Disclosure notes.	I identified a small number of errors (18) in the disclosure notes to the accounts including one material adjustment (£57,490k) to a prior year comparator in note 17.

Issue	Finding
<p>Compliance with laws and regulations – as reported in my Merseyside Pension Fund Annual Governance Report.</p> <p>Breach of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 in regards to investment limits.</p>	<p>The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (which came into force on 1 January 2010) set out a required process for Pension Funds to follow when planning to increase investment limits. In 2011/12 the Pension Fund exceeded the limits as set out in their current Statement of Investment Principals (SIP), without following the proper procedure as set out in the regulations.</p>
<p>Other audit matters of governance interest</p>	<p>I discussed a number of governance issues with management and those charged with governance during the year. This included issues reported in my:</p> <ul style="list-style-type: none"> <li>■ Public Interest Report in June 2012 regarding the award and contract management of the Highways and Engineering Services contract;</li> <li>■ Summary report on grant claims and returns;</li> <li>■ Follow-up review of Internal Audit's work on gifts, hospitality and conflicts of interest.</li> </ul> <p>I have also reviewed the issues included in your Annual Governance Statement, various independent reports to the Council and reports provided to the Improvement Board and Cabinet, most notably the draft Improvement Plan.</p>

## Matters on which I report by exception

As part of my audit report I am required to report 'Matters on which I report by exception'. As at 3 September I plan to report two such matters:

- in my opinion the annual governance statement as presented for audit does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issued a report in the public interest on 8 June 2012 in respect of the award and contract management of the Highways and Engineering Services contract under section 8 of the Audit Commission Act 1998.

### Annual governance statement (AGS)

In my opinion, the annual governance statement as presented for audit does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 because it does not adequately or accurately describe the governance framework and review of effectiveness nor address the weaknesses in the internal control environment highlighted in the Council's Improvement Plan.

The AGS complies with the format of the CIPFA/SOLACE Framework. My review concluded however that the content of the AGS was generally not in the appropriate sections of the report and some statements were factually incorrect or not consistent with my knowledge of the Council.

The AGS as presented for audit was not up to date nor complete and did not accurately reflect the position of the Council as it was at February/March 2012 nor as it was at the end of June 2012. The version presented for audit was prepared in Feb/Mar 2012 but should have represented the position at the date the accounts were certified on 29 June 2012. The AGS will also need to be updated closer to the 30 September 2012 deadline to recognise any events and/or reviews of arrangements where they are indicative of the position at the Council during the 2011/12 year to 31 March 2012.

Internal Audit carried out a review of effectiveness and confirmed that appropriate evidence supports the assertions in the statements. However, there are gaps and inconsistencies and the statements in the AGS at section 5 (review of effectiveness) are generally descriptions of arrangements rather than outcomes noted from the review of effectiveness. The Chief Internal Auditor's opinion in his annual report to the Audit and Risk Management Committee in itself is contradictory and is not consistent with the AGS.

I have now been provided with an updated version of the AGS that I am currently reviewing.

#### Recommendation

**R5** Revise the Annual Governance Statement (AGS) to ensure it:

- reflects compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- is consistent with other information on governance that is available to the Council.

#### Highways and Engineering Services report in the public interest

On 8 June 2012 I issued a report in the public interest under section 8 of the Audit Commission Act 1998 in respect of the award and contract management of the Council's Highways and Engineering Services Contract. My report included a number of recommendations in relation to the Council's corporate governance arrangements and was considered by the Council on 16 July 2012. As at 3 September 2012 I have yet to receive a formal response to the report. The Audit Commission Act 1998 requires a response as soon as is practical after the Council meeting. The response also needs to be publicised in the local press.

## Recommendation

**R6** Ensure the weaknesses identified in the Highways and Engineering Services report in the public interest are addressed and the Council's response as required by the Audit Commission Act 1998 is completed as a matter of urgency.

## Whole of Government Accounts

Alongside my work on the financial statements, I also review and report to the National Audit Office on your Whole of Government Accounts (WGA) return. As at 3 September 2012 I have not completed the procedures specified by the National Audit Office. I expect to receive your amended financial statements and amendments for the WGA return by 13 September 2012 in order to complete my report by 28 September 2012.

# Value for money

**I am required to conclude whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.**

I assess your arrangements against the two criteria specified by the Commission. In my January 2012 Audit Plan I reported to you the significant risks that were relevant to my conclusion. I have set out below my conclusion on the two criteria, including the findings of my work addressing each of the risks I identified.

I have identified weaknesses that prevent me from being satisfied that in all significant respects Wirral Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012. I include my draft adverse conclusion at Appendix 1 and set out the issues below.

Table 5: **Value for money conclusion criteria and my findings**

Criteria	Findings
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2011/12:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p> <p><b>Audit Plan (Jan 2012) risk</b></p> <p>The Council has identified significant pressures within</p>	<p>I identified that the Council does not have robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future:</p> <ul style="list-style-type: none"> <li>■ There were weaknesses in leadership and financial governance that have diverted action from delivering improvement. This is acknowledged in the Council's draft Improvement Plan and Annual Governance Statement.</li> <li>■ The Corporate Plan has been subject to constant change impacting adversely on the Council's ability to plan and prioritise over the medium to longer term.</li> <li>■ The Corporate Plan is not underpinned by a robust medium term financial plan that clearly sets out plans to address the projected shortfall of around £100 million for 2012 – 2015;</li> <li>■ There has been regular use of reserves to fund recurrent expenditure as well as</li> </ul>

Criteria	Findings
<p>the Children and Young People's and Adult Social Services revenue budgets for 2011/12. Achieving the savings identified in the Change Programme and implementing robust plans for bridging the current budget shortfall for 2012/13 of £18.7m are fundamental to securing financial resilience and economy, efficiency and effectiveness.</p>	<p>weaknesses in forecasting capital expenditure.</p> <ul style="list-style-type: none"> <li>■ The Council did not secure robust financial control and continues to face a number of financial challenges most notably a recurrent overspend in Adult Social Services and a projected overspend of £17m at month three of 2012/13.</li> </ul> <p>Without robust systems and processes, financial risks and opportunities may not be managed effectively and a secure financial position may not be secured for the foreseeable future.</p>
<p>2. Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2011/12:</p> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p> <p><b>Audit Plan (Jan 2012) risk</b></p> <p>In 2010/11 I concluded that the Council was not able to provide information on activity and performance to determine whether it is receiving better value for the money spent in respect of the Highways and Engineering contract.</p>	<p>I identified that the Council is not prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity:</p> <ul style="list-style-type: none"> <li>■ There is a lack of clarity about the Council's strategic priorities due to the changes in leadership and the Corporate Plan resulting in a lack of a strategic approach to challenging spend and considering how spending matches the priorities of the Council;</li> <li>■ Performance management arrangements were reviewed during the year but remain inadequate. The responsibility for the strategic change programme has continued to move between departments, was not linked to the wider savings programme and did not deliver as planned;</li> <li>■ There is inadequate information for decision-making and partnership arrangements need strengthening.</li> <li>■ There was limited information to demonstrate that there was an increase in productivity and better output from more limited resources, most notably in respect of the Highways and Engineering Services contract. A third of corporate indicators and corporate projects did not meet targets or were not delivered as planned.</li> </ul> <p>Without clear prioritising of resources within tighter budgets, cost reductions and improved efficiency and productivity may not be achieved</p>
<p><b>Proper arrangements</b></p> <p>The Audit Commission's guidance also requires me to report by exception on any other significant additional matters that come to my attention and which I consider</p>	<p>A number of governance and internal control issues are impacting on the efficiency and effectiveness of the Council:</p> <ul style="list-style-type: none"> <li>■ Promoting and demonstrating the principles of good governance: The Council has yet to address the corporate governance weaknesses which have been repeatedly identified</li> </ul>

## Criteria

to be relevant to proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

### **Audit Plan (Jan 2012) risk**

In 2010/11 I identified a number of governance and internal control issues that are impacting on the efficiency and effectiveness of the Council.

## Findings

in respect of key issues such as whistleblowing, conflicts of interest, compliance with procedures, risk management, Internal Audit and providing value for money. In addition gifts and hospitality records were not complete and there was a high incidence of non-compliance with procedures. Without good governance, risk increases and priorities may not be achieved.

- Managing risks and maintaining a sound system of internal control: I identified weaknesses in corporate arrangements for risk management, compliance with policies, procedures and internal control. There were not adequate and effective arrangements for assurance of the systems of internal control and I identified significant internal control weaknesses in respect of the control and management of, for example, assets and accounts payable. Without sound arrangements risks cannot be managed to a reasonable level and resources may not be used effectively to deliver value for money.

## Recommendation

**R7** Ensure the weakness identified in respect of financial resilience, securing economy efficiency and effectiveness and proper arrangements are addressed.

# Certificate

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**I am required to certify that I have completed the audit of the accounts of the Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.**

Subject to satisfactory completion of a number of outstanding issues I would like to issue my certificate by 28 September 2012. The outstanding issues are:

- Completion of my review and report to the National Audit Office on your Whole of Government Accounts (WGA) return;
- Your responses to issues that have been raised by local electors;
- Your response to my report on Gifts, hospitality and conflicts of interest;
- Your response to my Report in the Public Interest on the Highways and Engineering Contract.

My draft Audit report currently refers to a possible delay in the certificate due to the outstanding matters.

# Fees

## I reported my planned audit fee in the January 2012 Audit Plan.

I have agreed with the Acting Director of Finance a revision to the fee because of the matters highlighted in this report.

Table 6: Fees

	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit (additional expected fee of £8,000* for the number of questions and issues raised by local electors and Council)	352,800	360,800*
Claims and returns (decrease resulting from a reduction in the number of claims requiring certification)	100,093	85,000*
Non-audit work – LGA Improvement Board and Council VFM report to members	None planned	23,700*
<b>Total</b>	<b>452,893</b>	<b>469,500*</b>

\* estimate

The Audit Commission has paid a rebate of £28,224 to reflect attaining internal efficiency savings, reducing the net amount payable to the Audit Commission to **£441,256**.

# Appendix 1 – Draft independent auditor’s report

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## **DRAFT - INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF WIRRAL BOROUGH COUNCIL**

### **Opinion on the Authority financial statements**

I have audited the financial statements of Wirral Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Wirral Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

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

As explained more fully in the Statement of the Chief Financial Officer’s Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, I read all the

financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the financial position of Wirral Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

## **Opinion on other matters**

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which I report by exception**

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

## **Exception reports**

### **Auditor's responsibilities**

#### **Annual governance statement**

I report to you if, in my opinion, the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

In my opinion, the annual governance statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 because it does not adequately or accurately describe the governance framework and review of effectiveness nor address the weaknesses in the internal control environment highlighted in the Authority's Improvement Plan..

### **Report in the public interest under section 8 of the Audit Commission Act 1998**

I have a duty under the Audit Commission Act 1998 to consider whether, in the public interest, to report on any matter that comes to my attention in the course of the audit in order for it to be considered by the Authority concerned or brought to the attention of the public.

On 8 June 2012 I issued a report in the public interest under section 8 of the Audit Commission Act 1998 on the subject of weaknesses in the Authority's corporate governance arrangements. My report included a number of recommendations to the Authority.

### **Opinion on the pension fund financial statements**

I have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Wirral Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

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

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, I read all the financial

and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

### **Opinion on other matters**

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

### Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Basis for adverse conclusion**

In considering the Authority's arrangements for securing financial resilience, I identified that:

- there were weaknesses in leadership and financial governance that have diverted action from delivering improvement. This is acknowledged in the Authority's draft Improvement Plan and Annual Governance Statement;
- the Corporate Plan has been subject to constant change impacting adversely on the Authority's ability to plan and prioritise over the medium to longer term;
- the Corporate Plan is not underpinned by a robust medium term financial plan that clearly sets out plans to address the projected shortfall of around £100 million for 2012 – 2015;
- there has been regular use of reserves to fund recurrent expenditure as well as weaknesses in forecasting capital expenditure; and
- the Authority did not secure robust financial control and continues to face a number of financial challenges most notably a recurrent overspend in Adult Social Services and a projected overspend of £17 million at month three of 2012/13.

Without robust systems and processes, financial risks and opportunities may not be managed effectively and a secure financial position may not be secured for the foreseeable future.

In considering the Authority's arrangements for challenging how it secures economy, efficiency and effectiveness, I identified that:

- there is a lack of clarity about the Authority's strategic priorities due to the changes in leadership and the Corporate Plan resulting in a lack of a strategic approach to challenging spend and considering how spending matches the priorities of the Authority;
- performance management arrangements were reviewed during the year but remain inadequate. The responsibility for the strategic change programme has continued to move between departments, was not linked to the wider savings programme and did not deliver as planned;
- there is inadequate information for decision-making and partnership arrangements need strengthening; and
- there was limited information to demonstrate that there was an increase in productivity and better output from more limited resources, most notably in respect of the Highways and Engineering Services contract. A third of corporate indicators and corporate projects did not meet targets or were not delivered as planned.

Without clear prioritising of resources within tighter budgets, cost reductions and improved efficiency and productivity may not be achieved.

### **Adverse conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, the matters reported in the basis for adverse conclusion paragraph above prevent me from being satisfied that in all significant respects Wirral Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

## Report by exception

The Audit Commission's guidance also requires me to report by exception on any other significant additional matters that come to my attention and which I consider to be relevant to proper arrangements to secure economy, efficiency and effectiveness in the use of resources. Such matters have come to my attention relating to significant weaknesses in the Authority's arrangements for:

- promoting and demonstrating the principles and values of good governance; and
- managing risks and maintaining a sound system of internal control.

The Authority has yet to address the corporate governance weaknesses which have been repeatedly identified in respect of key issues such as whistleblowing, conflicts of interest, compliance with procedures, risk management, Internal Audit and providing value for money. In addition gifts and hospitality records were not complete and there was a high incidence of non-compliance with procedures. Without good governance, risk increases and priorities may not be achieved.

I identified weaknesses in corporate arrangements for risk management, compliance with policies, procedures and internal control. There were not adequate and effective arrangements for assurance of the systems of internal control and I identified significant internal control weaknesses in respect of the control and management of, for example, assets and accounts payable. Without sound arrangements risks cannot be managed to a reasonable level and resources may not be used effectively to deliver value for money.

## Delay in certification of completion of the audit

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the authority's Whole of Government Accounts consolidation pack and concluded on your responses to a number of governance issues. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

[Signature]

Michael Thomas

District Auditor

Audit Commission  
2nd Floor, Aspinal House, Aspinal Close, Middlebrook, Bolton BL6 6QQ

[Date] September 2012

# Appendix 2 – Uncorrected errors

I identified the following error during the audit which management have not addressed in the revised financial statements.

		Statement of comprehensive income and expenditure		Balance sheet	
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
2010/11 restated comparators for cost of services and deficit on revaluation of PPE	The 2010/11 statements included a £6m overstatement of income in service lines and expenditure in the revaluation line of the CIES. These items net each other off. The error is due to accounting for release of grants received in previous years and the Council were unable to accurately correct the error across the service lines. The uncorrected error in comparators has been disclosed in note 49 to the accounts.	£6,000	£6,000		

# Appendix 3 – Corrected errors

I identified the following errors during the audit which management have addressed in the revised financial statements.

		Statement of comprehensive income and expenditure		Balance sheet	
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Provision for land charges	My testing found that the provision of £569k was overstated and that the provision should be £250k with the remainder a contingent liability		£319 (Net cost of services)	£319 (provisions)	£319 (Usable reserves - General Fund)
Recognition of deferred capital receipts for assets where the Council is the lessor of a finance lease	The long term debtor has been correctly recognised. The error is in disclosure within the reserves only as the Council has failed to recognise a deferred capital receipts reserve and instead recorded the figure in the Capital Adjustment Account.			£2,678 Capital Adjustment Account (unusable reserves)	£2,678 Deferred Capital Receipts

# Appendix 4 – Draft letter of management representation

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## Wirral Council - Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors of Wirral Council the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2012.

### Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Authority, for the completeness of the information provided to you, and for making accurate representations to you.

### Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate. *[schedule required for the uncorrected error from 2010/11]*

These misstatements have been discussed with those charged with governance within the Council and the reasons for not correcting these items are as follows.

- reason 1 etc;
- reason 2]

*[This section must include prior year uncorrected misstatements so needs to be tailored to reflect £6m last year and impact on the accounts this year.]*

### Supporting records

I have made available all relevant information and access to persons within the Authority for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Authority.

## **Internal control**

I have communicated to you all deficiencies in internal control of which I am aware.

## **Irregularities**

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

## **Law, regulations, contractual arrangements and codes of practice**

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Other than the breach of regulations identified in respect of the Pension Fund, transactions and events have been carried out in accordance with law, regulation or other authority. The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

## Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

For the [accounting estimate of historical infrastructure assets value](#), I confirm:

- the appropriateness of the measurement method, including related assumptions and models, and the consistency in application of the method;
- the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Authority, where relevant to the accounting estimates and disclosures;
- the disclosures relating to the accounting estimate are complete and appropriate under the Code; and
- that no subsequent event requires the Authority to adjust the accounting estimate and related disclosures included in the financial statements.

*[Wirral to tailor as appropriate]*

## [Other representations may include:

### Financial Guarantees

I confirm that the Council has not given any Financial Guarantees in the financial year 2011/12.

Specific representations e.g. The legal claim by ABC Limited has been settled out of court by a payment of £X. No further amounts are expected to be paid and no similar claims have been received or are expected to be received.

Whether the selection, and application, of accounting policies are appropriate.

Whether the following matters have been recognised, measured, presented or disclosed in accordance with the financial reporting framework:

- Plans or intentions that may affect the carrying value or classification of assets and liabilities;
- Liabilities, both actual and contingent; and
- Title to, or control over, assets, the liens or encumbrances on assets, and assets pledged as collateral.]

*[We will agree whether it is necessary to request one or more of these representations about the financial statements].*

### Related party transactions

I confirm that I have disclosed the identity of the Authority's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

### Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of Wirral Council

I confirm that this letter has been discussed and agreed by the Audit and Risk Management Committee on 19 September 2012.

Signed

Name

Position

Date

# Appendix 5 – Glossary

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## **Annual Audit Letter**

Letter issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

## **Annual Governance Report (AGR)**

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

## **Annual Governance Statement (AGS)**

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

## **Audit of the accounts**

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

## **Audited body**

A body to which the Audit Commission is responsible for appointing the external auditor.

## **Auditing Practices Board (APB)**

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

## **Auditing standards**

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

**Auditor(s)**

Auditors appointed by the Audit Commission.

**Comprehensive income and expenditure statement (CIES)**

One of main statements that shows income and expenditure for the year of account.

**Chartered Institute of Public Finance and Accountancy (CIPFA)**

Produces standards and guidance for the preparation of the financial statements.

**Code (the)**

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

**Commission (the)**

The Audit Commission for Local Authorities and the National Health Service in England.

**Ethical Standards**

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

**Financial Reporting Standards (FRS)**

Accounting standards for the preparation of financial statements (see also IAS and IFRS below)

**Financial statements**

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

**Group accounts**

Consolidated financial statements of an Authority and its subsidiaries, associates and jointly controlled entities.

**Highways and Engineering (HES)**

Refers to the Highways and Engineering contract in Technical Services

**International Accounting Standards (IAS)**

Accounting standards for the preparation of financial statements

**International Financial Reporting Standards (IFRS)**

Accounting standards for the preparation of financial statements

**Internal control**

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

**Local Authority (Scotland) Accounts Advisory Committee (LASAAC)**

Works in partnership with CIPFA England. The partnership board is responsible for preparing, maintaining, developing and issuing the Code of Practice on Local Authority Accounting for the United Kingdom.

**Local Government Association (LGA)**

The membership organisation for local government bodies in England.

**Materiality**

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term 'materiality' applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

### **Merseyside Pension Fund (MPF)**

The pension fund administered by Wirral Council.

### **Office for Standards in Education, Children's Services and Skills (OFSTED)**

Regulates standards of teaching in schools and colleges.

### **Property, plant and equipment (PPE)**

A category of long term assets on the balance sheet.

### **Society of Local Authority Chief Executives (SOLACE)**

The membership organisation for local authority chief executives

### **Significance**

The concept of 'significance' applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the financial statements. Significance has both qualitative and quantitative aspects.

### **Those charged with governance**

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit and Risk Management Committee.

### **Value for money (VFM)**

Economy, efficiency and effectiveness in the use of resources

### **Whole of Government Accounts (WGA)**

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.



# Appendix 6 – Action plan

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## Recommendations

### Recommendation 1

Improve controls for property plant and equipment and ensure infrastructure asset records are sufficient for the 2012/13 reporting requirements.

**Responsibility**

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**Priority**

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**Date**

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**Comments**

### Recommendation 2

Ensure weaknesses in the application and adherence to the procedures for the authorisation controls in the accounts payable system are addressed.

**Responsibility**

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**Priority**

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**Date**

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**Comments**

### Recommendation 3

Strengthen segregation of duties and authorisation processes for journals.

**Responsibility**

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**Priority**

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**Date**

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**Comments**

**Recommendation 4**

Ensure all officers and members complete declarations in respect of related party transactions.

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**Responsibility**

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**Priority**

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**Date**

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**Comments**

**Recommendation 5**

Revise the Annual Governance Statement (AGS) to ensure it:

- reflects compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
  - is consistent with other information on governance that is available to the Council.
- 

**Responsibility**

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**Priority**

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**Date**

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**Comments**

**Recommendation 6**

Ensure the weaknesses identified in the Highways and Engineering Services report in the public interest are addressed and the Council's response as required by the Audit Commission Act 1998 is completed as a matter of urgency.

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**Responsibility**

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**Priority**

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**Date**

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**Comments**

**Recommendation 7**

Ensure the weakness identified in respect of financial resilience, securing economy efficiency and effectiveness and proper arrangements are addressed.

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**Responsibility**

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**Priority**

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**Date**

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**Comments**

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- any director/member or officer in their individual capacity; or
- any third party.

