

## **WIRRAL COUNCIL**

### **AUDIT AND RISK MANAGEMENT COMMITTEE**

**31 MARCH 2009**

### **REPORT OF THE DIRECTOR OF FINANCE**

#### **AUDIT COMMISSION ANNUAL GOVERNANCE REPORT - ACTION PLAN UPDATE**

##### **1. EXECUTIVE SUMMARY**

- 1.1. The Audit and Risk Management Committee considered the Audit Commission Annual Governance Report and action plan on 1 December 2008. This report updates the Committee on the progress in implementing the plan.

##### **2. AUDIT COMMISSION ANNUAL GOVERNANCE REPORT**

- 2.1 The District Auditor presented his report to this Committee on 30 September 2008. This covered the Council Statement of Accounts 2007/08, which received an unqualified audit opinion, and consideration of key issues facing the Council in the future. The report identified a number of recommendations and Committee on 1 December 2008 considered the action plan to deliver the recommendations.

##### **3. PROGRESS REPORT**

- 3.1 The plan is detailed in the appendix with progress made on:-
- 3.2 Recommendation R1 - Build on arrangements for the Annual Governance Statement by involving Members at an earlier stage and strengthening the corporate ownership.
  - 3.2.1 The necessary review work has been undertaken and the Corporate Improvement Group has considered a report on departmental responses. Elsewhere on the agenda of this Committee is the Annual Governance Statement for 2008/09.
- 3.3 Recommendation R2 - Ensure supporting records for community assets are complete and are accurately reflected in the financial statements.
  - 3.3.1 A document has been produced and supporting records for community assets have now been produced. During 2009/10 other work will be carried out to further computerise information on items held.

- 3.4 Recommendation R3 - Consider the issues raised in the Annual Governance Report that should be included in the letter of representation.
  - 3.4.1 The recommendation was completed with the consideration of the Audit Commission report at this Committee on 30 September 2008.
- 3.5 Recommendation R4 - Further improve the quality assurance processes that underpin the production of information for the statement of accounts.
  - 3.5.1 The timetable for closedown 2008/09 has incorporated a number of reviews of activity to enhance the quality assurance of the Statement of Accounts. This is aimed as reducing the number of errors and misstatements. The Audit Commission has notified the Council that the trivial threshold has been reduced to between £70,000 and £80,000 for 2008/09 from £500,000 for 2007/08. The anticipated consequence of this change is that there is likely to be an increase in the number of errors reported to the Committee in September. The Audit Commission as part of its work on the audit of the Statement of Accounts is required to report to this Committee, as the body charged with governance all unadjusted non-trivial errors. It is hoped that through improved quality assurance the number of such items reported will be kept to a minimum.
- 3.6 Recommendation R5 - Review the underlying records and the accounting treatment of infrastructure assets to ensure strict compliance with the Statement of Recommended Practice (SORP).
  - 3.6.1 Number of tasks commenced including examining the underlying records for infrastructure. Further detailed work is to be undertaken to analyse the expenditure and determine asset lives for a number of infrastructure assets.
- 3.7 Recommendation R6 – Review reserves and provisions to ensure they are at an appropriate level and remain prudent.
  - 3.7.1 A report on Balances, Reserves and Provisions was considered by Cabinet on 10 December 2008. Supporting papers on reserves and provisions continue to be enhanced and updated.
- 3.8 Recommendation R8 – Ensure classification and valuation of assets is robust and that valuation and finance staff take joint responsibility to ensure assets are correctly reflected in the statement of accounts.
  - 3.8.1 The terms of engagements for the valuation of assets have been redrafted. Regular meetings continue to take place between finance and valuation staff.
- 3.9 Recommendation R9 – Discuss with the Merseyside Pension Fund how a more accurate estimation of the value of Pension Fund assets can be made whilst still meeting deadlines for financial reporting.

3.9.1 Initial discussions on options have taken place with the Merseyside Pension Fund as this also impacts upon other local authorities and organisations which are members of the Merseyside Pension Fund.

3.10. Recommendation R10 – Improve internal controls in respect of payroll procedures and ensure consistent compliance across the Council.

3.10.1 Payroll controls have recently been reviewed by both Internal Audit and the Audit Commission. The former took an overview of system controls and found that most of the controls were working effectively but have made some recommendations.

3.11 Recommendation R11 – Review schools bank accounts to ensure funds are held and applied for proper purposes.

3.11.1 A letter has been sent to all schools requesting details of all bank accounts they are holding to be supplied to the Finance Team in Children and Young People's Department.

3.12 Recommendation R12 – Ensure all related party transactions returns are received from Members and officers to be included in the accounts to be approved by 30 June and test disclosure.

3.12.1 The request process for obtaining all related party transactions for 2008/09 from Members and officers has commenced. This has again stressed the importance of the request and the requirement to make a return. All the necessary information has been dispatched and the deadline for return is 31 March 2009

3.13 Recommendation R13 - Consider the financial and governance implications of the Public Interest Disclosure Act report.

3.13.1 A report was considered by this Committee at its meeting on 4 November 2008.

3.14 A number of the recommendations in the Action Plan continue to be progressed.

#### **4. FINANCIAL AND STAFFING IMPLICATIONS**

4.1 There are no financial or staffing implications arising directly from this report.

#### **5. EQUAL OPPORTUNITIES IMPLICATIONS**

5.1. There are none arising directly from this report.

#### **6. HUMAN RIGHTS IMPLICATIONS**

6.1. There are none arising directly from this report.

**7. COMMUNITY SAFETY IMPLICATIONS**

7.1. There are no specific implications arising from this report.

**8. LOCAL MEMBERS SUPPORT IMPLICATIONS**

8.1. There are no specific implications for any Member or Ward.

**9. LOCAL AGENDA 21 IMPLICATIONS**

9.1. There are none arising directly from this report.

**10. PLANNING IMPLICATIONS**

10.1. There are none arising from this report.

**11. BACKGROUND PAPERS**

11.1. Annual Governance Report - Audit Commission September 2008.

**12. RECOMMENDATION**

12.1. That progress on delivering the action plan be noted.

IAN COLEMAN  
DIRECTOR OF FINANCE

FNCE/70/09

## Appendix 1 Annual Governance Report – Action Plan

Recommendation Reference	Recommendation Details	Priority 1=Low 2= Med 3=High	Responsibility	Agreed	Comments	Anticipated Implementation Date
R1	<p>Build on arrangements for the Annual Governance Statement (AGS) by involving Members at an earlier stage and strengthening the corporate ownership:</p> <ul style="list-style-type: none"> <li>• Present the AGS to the Audit and Risk Management Committee at a separate meeting to the approval of the accounts to provide Members with more opportunity to consider and challenge the issues raised in the statement.</li> <li>• Ensure the drafting of the AGS is done by a corporate group rather than being the responsibility of Internal Audit within the Finance Directorate.</li> </ul>	2	Director of Finance/ M Niblock	Yes	<p>The AGS will be considered at Audit &amp; Risk Management Committee on 31 March 2009.</p> <p>The Corporate Improvement Group considered departmental responses prior to consideration by the Corporate Governance Group and Committee.</p> <p>Internal Audit produced the AGS from Departmental responses.</p>	31 March 2009

R2	Ensure supporting records for community assets are complete and are accurately reflected in the financial statements.	2	Director of Regeneration/Jim Lester/ R Huyton	Yes	Information is currently being collated. This needs to be obtained and an assessment made to consolidate as required in the Statement of Accounts.	31 December 2008 but is to be ongoing
R3	Consider the issues raised in the Annual Governance Report that should be included in the letter of representation.	3	Director of Finance/ T Sault	Yes	Completed 30 September 2008	Completed 30 September 2008
R4	Further improve the quality assurance processes that underpin the production of information for the statement of accounts.	2	Director of Finance/ J Spick	Yes	Reviews being enhanced and built into the timetable for closedown 2008/09.	30 June 2009
R5	Review the underlying records and the accounting treatment of infrastructure assets to ensure strict compliance with the SoRP.	3	Director of Finance/Director of Technical Services	Yes	Work being undertaken to identify the infrastructure assets.	31 December 2008. Work greater than envisaged and ongoing.
R6	Review reserves and provisions to ensure they are at an appropriate level and remain prudent.	1	Director of Finance/ T Sault	Yes	Cabinet reports every 6 months detailing the reserves and	10 December 2008 and 30 June 2009

					provisions.	
R7	Ensure the Whole of Government Accounts consolidation pack is produced earlier in future years to ensure the Department for Communities and Local Government deadline is met.	1	Director of Finance/R Huyton	Yes	Work will be undertaken to develop the production of the Return for 2008/09.	1 October 2009
R8	Ensure classification and valuation of assets is robust and that valuation and finance staff take joint responsibility to ensure assets are correctly reflected in the statement of accounts.	2	Director of Law, HR and Asset Management/ R Huyton	Yes	A process for joint assessment of assets and their valuation will be undertaken.	28 February 2009 Work greater than envisaged and ongoing.
R9	Discuss with the Merseyside Pension Fund how a more accurate estimation of the value of Fund assets can be made whilst still meeting deadlines for financial reporting.	1	Director of Finance/ R Huyton/ G Moore/ J Spick	Yes	Discussions held with the Pension Fund.	31 December 2008. Work greater than envisaged and ongoing.
R10	Improve internal controls in respect of payroll procedures and ensure consistent compliance across the Council.	3	Director of Law, HR and Asset Management/P Bradshaw	Yes	A review of existing controls will be made. Changes will be made following this review.	31 March 2009
R11	Review schools bank accounts to ensure funds are held and applied for proper purposes.	2	Director of Children and Young People/ A Roberts	Yes	Work will be undertaken with the schools to determine bank accounts held are correctly assigned.	31 January 2009 Revised to 31 May 2009

R12	Ensure all related party transactions returns are received from Members and officers to be included in the accounts approved by 30 June and test disclosure.	1	Director of Finance/R Huyton	Yes	Procedures will be strengthened to ensure returns are 100% by 30 June 2009.	30 June 2009
R13	Consider the finance and governance implications of the Public Interest Disclosure Act report.	3	Director of Adult Social Services.	Yes	Further report to be considered.	30 June 2009