

Annual Audit and Inspection Letter

March 2007



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Wirral Metropolitan Borough Council

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Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council and inspections that have been undertaken in the last year and from a wider analysis of the Council's performance and its improvement over the last year, as measured through the Comprehensive Performance Assessment (CPA) framework.
- 2 The report is addressed to the Council, in particular it has been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.
- 3 The Council has improved its Direction of Travel rating this year as a reflection of the progress it is making in developing its arrangements to improve services and in maintaining its good performance in key areas.
- 4 Our assessment is that Wirral Council is improving well. It continues to improve its services. For example, educational attainment is improving at all levels with more young people in education, employment or training following school and those needing social care assessments are seen quicker. Home care services have improved with more older people able to live at home. Street cleanliness, fly tipping and the ways in which people access services are also improving. It is making good progress on community safety. Crime levels and fear of crime are falling with significant reductions in burglary and vehicle crime. Recycling performance is improving but the amount of waste collected remains high. The new waste contract includes measures to address these issues.
- 5 The Council's approach to value for money is improving; it has identified areas of high costs and is taking actions to address them. Corporate and service plans - focusing on key areas including democratic arrangements and change management - are improving the way the Council works. It also has robust plans to ensure that it regenerates the area and continues to improve social care services.
- 6 However, the Council continues to face significant challenges. The Director of Finance has reported that the current base budget is not sustainable. The Council has agreed measures to reduce its budget by approximately £13m in 2007/08. It plans to meet this reduction through a combination of increasing income, departmental savings targets and more efficient procurement processes. Added to this, Cabinet has agreed an efficiency plan target to achieve £30m savings during 2008-2011. These efficiency targets represent a considerable challenge, in particular to ensure that a significant proportion of the savings achieved are sustainable. Successful implementation of the plans will require a clear commitment by Members and officers to address difficult decisions about what services to provide, to what extent and how these services will be delivered. It will require the Council to ensure effective project management is in place for all key projects and to realise the full potential of the significant IT investment that has been made in recent years.

Action needed by the Council

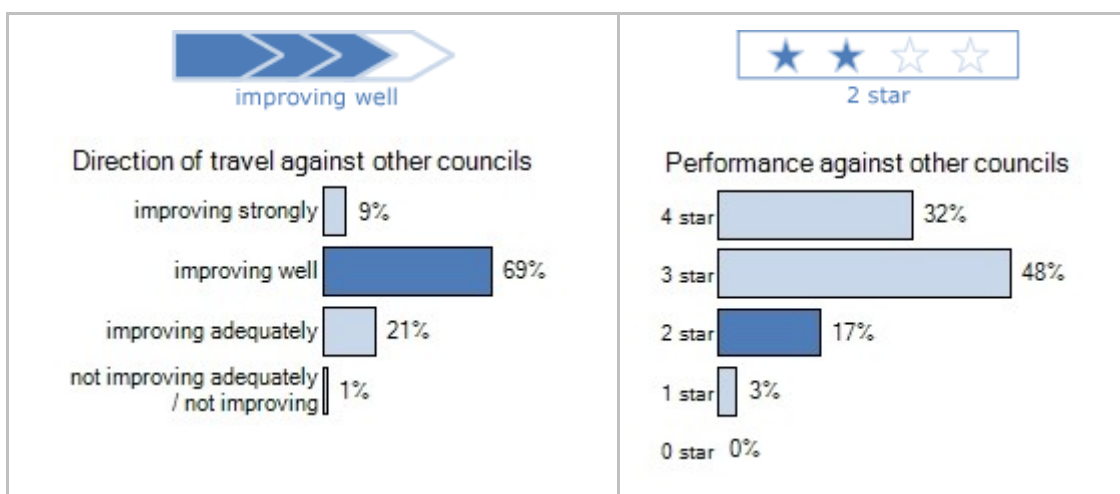
To continue improving performance, the Council needs to:

- Effectively monitor progress in achieving the challenging budget targets set for 2007/08, and for achieving the efficiency plan targets from 2008/09 onwards.
- Critically challenge the level and nature of services the Council will continue to provide, if it is to succeed in delivering its ambitious efficiency plans.
- Ensure effective implementation of plans to review and challenge costs and performance to demonstrate and improve the value for money of council services.
- Strengthen arrangements for the review of governance, risk management and the financial performance of significant partnerships.
- Ensure the Medium Term Financial Plan is clearly driven by the revised corporate plan and underpinned by a detailed financial plan that provides clear links to other internal strategies and details how funding gaps will be met.
- Develop the Council's policy for reserves and balances to ensure it is based on a thorough understanding of its needs and risks and reserves and balances are maintained within the range agreed in the policy.

How is Wirral Council performing?

- 7 The Audit Commission’s overall judgement is that Wirral Council is improving well and we have classified the Council as two stars in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

Table 1



Source: Audit Commission

- 8 A council's overall CPA star rating is determined by an amalgamation of its service scores, use of resources assessment and corporate assessment score. Councils across the North West who have similar service scores to Wirral, also have higher corporate assessment and use of resources scores. As a result, their overall star ratings are higher. For the Council to achieve a 3 star CPA assessment it will need to achieve level 3 for its Use of Resources.
- 9 The detailed assessment for Wirral Council is as follows.

Our overall assessment - the CPA scorecard

Table 2 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	two stars
Current performance	out of 4
Children and young people	3 out of 4
Social care (adults)	3 out of 4

Element	Assessment
Use of resources	2 out of 4
Housing	4 out of 4
Environment	3 out of 4
Culture	3 out of 4
Benefits	3 out of 4
Corporate assessment/capacity to improve	2 out of 4

(Note: 1=lowest, 4= highest)

The improvement since last year - our Direction of Travel report

- 10 In this section we comment on the Council's overall direction of travel and the progress it is making towards achieving improvement. The Direction of Travel judgement is based on two key elements:
- the Council's track record of improving outcomes for local people; and
 - the progress the Council has made in implementing improvement plans to sustain future improvement.
- 11 As well as focusing on outcomes, it includes an assessment of how robust a council's improvement plans are and whether it has the capacity to deliver those plans. In making the judgement we also draw on the annual performance assessments have been carried out for services for children and young people, adult's services and for benefits.

Service improvements

- 12 Wirral Council has largely maintained good levels of performance and has performed well in relation to its priorities for children and young people, improving the street scene, community safety and improving customer access. There are generally positive trends in satisfaction in a number of areas and in particular, around street cleanliness, rubbish and graffiti which was poor three years ago. Overall satisfaction remains high compared to others and there are high levels of satisfaction with cultural services.
- 13 It has more to do in other key areas such as waste and recycling. It needs to continue the work to ensure that it is achieving value for money in all areas and addressing areas of high cost.

- 14 Children and young people:** Educational attainment is good at all levels and the numbers of young people who are in education, employment or training following school has improved. The Council has achieved beacon status for youth engagement. There is good work to improve the health of young people and the number of teenage pregnancies has reduced. There are good plans to reduce the number of surplus primary school places which has been a key issue in previous years.
- 15 Social care services** retained an 'adequate' assessment in this year's annual assessment for children and young people. There has been progress over a range of performance indicators. The numbers of referrals have reduced although they are still higher than in similar authorities. There has been a significant improvement in the number of referrals leading to an initial assessment and positive progress has been made in the timeliness of core assessments. However, performance in terms of processing these assessments is still well below similar authorities. Stability of placements remains an area of good performance.
- 16 Older people:** The Council has continued to improve and modernise adult's social services. There is better market management of care services for older people and a review of domiciliary care services has improved service delivery for most user groups. The number of Older People helped to live at home has improved and the level of intensive home care has increased.
- 17 Environment:** Streetscene is an important priority for residents and LPSA targets in relation to the cleanliness of streets have been met. Performance in moving flytipping has improved and satisfaction levels have improved well. Whilst recycling performance has improved, the council remains in the bottom quartile and only met 69 per cent of its target. Levels of household waste remain high compared to others. The new £250m, 21-year waste and cleansing contract came into effect in August 2006 to address this.
- 18 Social and economic regeneration:** The Council is making good progress with the housing market renewal programme (HMRI). More than 650 homes have been acquired, 300 homes have been cleared and a number of key strategic sites have been acquired. 456 homes had been renovated and the 'Living Through Change' programme has helped residents to live through large scale change brought about by the programme. The next phase of Housing Market Renewal in Wirral for 2006 - 2008 has a specific focus on the building of new homes. The Council continues to monitor housing outcomes following the stock transfer in 2005. We will be assessing the Council's performance in developing its strategic housing function in early 2007.
- 19** There are positive indicators around economic regeneration. The number of business expansions is above target and there are fewer people claiming benefits, although levels of worklessness remain high. The number of visitors to the borough has increased. Wirral supported the Open Golf Championship in July 2006. The championship was a huge success and has resulted in significant economic benefits and has raised the profile of the borough.

- 20 There have been good improvements in benefits performance although the overall CPA rating has fallen back to good from excellent. New claims take six days less to process and change of circumstances performance is in the top quartile. The benefits CPA score fell from four to a three this year due to the receipt of highly complex appeals which caused a backlog. The backlog of appeals is being addressed and performance in quarter one has improved.
- 21 **Partnership working:** Good progress is being made in partnership working on cross cutting areas. There have been strong improvements in terms of community safety, which is important to local people. Crime levels have fallen by 15.7 per cent over the last 18 months. There have been strong reductions in burglary and theft of and from motor vehicles has also fallen. Fear of crime is also falling. 88 per cent of people feel safe during the day and 75 per cent feel safe after dark. There have been reductions in the number of youth disturbances and in the perception of people who see youths disorder as a problem.
- 22 There is good partnership working around health inequalities which has resulted in positive outcomes. The Council and its partners have exceeded the LPSA target to achieve a 10 per cent reduction in the gap in life expectancy between Wirral and the rest of England. There is good partnership working with the PCT and programmes such as the healthier schools, weight management and smoking cessation projects are having a positive outcome.
- 23 **Access and diversity:** There are good arrangements to ensure user focus but there is much to do around equalities and diversity. The Council has continued to invest in improving access to services and the 13 one stop shops and call centre continue to handle an increasing number of personal queries.
- 24 Both the LSP and the Council have good general knowledge of local communities and of their needs. There is further work planned for 2007 to ensure that the Council is more systematic in its dialogue with minority groups. There is a lot to do to bring Wirral up to the level of other Councils as the Council remains at level one of the race equality scheme.
- 25 **Use of resources:** There is a clear commitment to improving efficiency and to achieving value for money. Chief officers have begun to challenge areas of high cost. A detailed review of cost and performance in relation to adults and children's social care services is being carried out. These actions will help members and officers to gain a better understanding of performance and costs so that they are in a better position to ensure that vfm is improved in all areas.
- 26 In January 2007, Cabinet agreed an efficiency plan target to achieve £30m savings during 2008-2011. This decision followed a report from the Chief Executive which concluded that over this period the Council is likely to be facing a gap between needs and available resources of at least £30m. The report set out a proposal to respond to this situation and implement a three year plan to reduce expenditure to match the resources likely to be available. Chief Officers will report to Cabinet in June with the details of their efficiency proposals.

- 27 The efficiency plan target represents a considerable challenge to the Council. The Chief Executive's report describes it as requiring a fundamental reappraisal of the way we do things and the things that we do. He goes on to say that:

'To achieve savings of this magnitude over a three year period will be extremely challenging. However, we have simply no choice in the matter.'

- 28 We comment further on the Council's financial position in paragraphs 52 to 59.

Sustaining Future Improvement

- 29 The Council has developed a range of corporate and service improvement plans that are ambitious, focused on the right areas and beginning to show improvements.
- 30 The Council developed a robust action plan following the corporate assessment and progress in implementing the plan is on target. Key appointments in Policy, HR and Change Management have been made to enhance the Council's capacity to deliver its plans and good progress is now being made.
- 31 The Council has continued to develop its medium term financial strategy, with improved links to corporate objectives and priority areas. It recognises the need to ensure the corporate business plan more clearly drives the medium term financial strategy (MTFS) and to develop the detailed plan that underpins the overall MTFS. The Council has strengthened its budget management arrangements in several areas and has made good progress in strengthening some of its internal control and governance arrangements, including the establishment of an audit and risk management committee.
- 32 The Council is improving its democratic arrangements following comments in the corporate assessment in December 2005. An Executive Board was established in March 2006. In part this board was set up to free up agendas to allow Cabinet to focus more on strategic issues. The Council has invested in training to improve the scrutiny function. We will be carrying out a review of progress in Spring 2007.
- 33 The Council recognises that its radical change management programme is important if it is to secure the long-term efficiencies and benefits envisaged by the One Business project. There has been a strong focus on implementation since October 2005 and the Council has now put greater emphasis on the management of change. It has made key appointments to drive the change programme forward and enable the re-engineering of back office systems. Corporate guidance on business process improvement, change management and project management has been developed and is being rolled out to key staff. However, further work is still required to realise the full potential of the significant IT investment. This includes the key decision to be made in connection with the implementation, and subsequent effective integration, of the payroll and HR system.

- 34 There are plans to continue with the programme to improve access to services and this is being worked up into a new customer access strategy. Plans to introduce video conferencing and the introduction of SMS text messaging, along with new information points in a number of libraries, have been largely completed - all information points are now open and video conferencing has been installed. These initiatives will result in 95 per cent of residential properties being within one mile of either a One Stop Shop or an Information Point, and the council is ahead of its local public service agreement target. A second phase of services is currently being integrated into the contact centre and web.
- 35 The customer access strategy is one of three cornerstone projects in the Council's 2008-2011 efficiency plan. Successful implementation of the plan will require clear milestones and targets to be set for each of these key projects, together with a clear commitment by Members and officers to address the significant challenges and difficult decisions that will need to be faced.
- 36 Plans to improve key service areas are in place. These include a 21-year waste and cleansing contract which came into effect in August 2006. The expectations of the contract are significant and include improvements in waste and cleansing services, including increasing Wirral's recycling rate to 50 per cent over the next four to five years. The early signs are positive:
- there is a 96 per cent of residents are participating in a number of pilot areas;
 - garden waste collected has increased from an average of 2.4 kg per household to 7.5 kg; and
 - the pilot grey bin scheme for bottles, cans and paper has been successful and the Council is currently exploring with the waste contractor to see whether the roll out can be accelerated by six months.
- 37 Arrangements in adult's social care have improved. Sickness and absence have reduced and the recruitment and retention of social workers has significantly improved. Performance and budget management and contract monitoring require further development to ensure that the benefits of investments are achieved.
- 38 The Council's has made good progress in implementing its post JAR improvement plan for children and young people. It has developed a range of plans to improve health and to reduce the number of looked after children and to reduce surplus places. The 14 to 19 strategy has been reviewed and a strategic partnership set up.
- 39 The Council has made good progress in developing its plans following the regeneration inspection in 2005. It is taking a more proactive approach to regeneration and has developed a comprehensive investment strategy for the future regeneration of Wirral. This document brings together a number of separate strategies and seeks to prioritise the available options. Enterprise and employment strategies have been prepared alongside the investment strategy so that there is a coherent approach to the Council's programme. Ambitious plans for the waterfront developments are being taken forward including working with major developers on a master planning exercise for the area.

Service inspections

- 40 An important aspect of the role of the Relationship Manager is to work with other inspectorates and regulators who also review and report on the council's performance. Relationship Managers share information and seek to provide 'joined up' regulation to the Council. Inspectorates make an annual assessments and the following have been issued this year.

Table 3 Assessments from other Inspectorates

Inspectorate	Assessment
Ofsted and CSCI	<p>The following assessment was issued in relation to services for children and young people.</p> <ul style="list-style-type: none"> • The contribution of the local authority's children's services in maintaining and improving outcomes for children and young people – good. • The Council's overall capacity to improve its services for children and young people – good. • The contribution of the local authority's social care services in maintaining and improving outcomes for children and young people – adequate.
CSCI	<p>The Council has been assessed as two stars in relation to its adults social care services. It serves most people well and has promising prospects for improvement.</p>
BFI	<p>The assessment for the Benefits service equates to good performance.</p>

- 41 We are currently carrying out an inspection of the strategic housing function and will report on this in the spring.

Financial management and value for money

- 42 In 2005/06 the new Code of Audit Practice introduced the requirement for the appointed auditor to form a conclusion on your arrangements to deliver value for money. The findings from our work to support the VFM conclusion and our opinion on your financial statements were reported in our Annual Governance Report to those charged with governance in September 2006. This report included, as an appendix, the various performance and regularity reports we had and would be issuing in connection with our 2005/06 audit.
- 43 We presented our Annual Governance Report to the Audit and Risk Management Committee on 28 September 2006 and subsequently to the Executive Board on 4 October 2006. The report included our:
- unqualified opinion on your accounts, and those for Merseyside Pension Fund. The accounts were amended to reflect matters arising during the audit, including a £16.5m and £13.5m reclassification of departmental expenditure and income respectively. Qualitative issues raised included the need to improve the arrangements for the overall qualitative review of the financial statements prior to their approval by Members and to ensure the consistent treatment of sums due to and from PCTs;
 - unqualified vfm conclusion. We concluded that the Council has proper arrangements in place to deliver value for money and that you perform well in a number of areas. In particular you satisfy many of the criteria for good performance in relation to risk management and internal control. The report highlighted scope to further develop your arrangements, particularly in relation to strategic and operational objectives, financial standing and data quality; and
 - confirmation that the Best Value Performance Plan had been audited.

Use of resources

- 44 The auditor's findings are an important component of the CPA framework. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial Reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial Standing (including the strength of the Council's financial position).

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- Internal Control (including how effectively the Council maintains proper stewardship and control of its finances).
- Value for money (including an assessment of how well the Council balances the costs and quality of its services).

45 For the purposes of the CPA we have assessed your arrangements for use of resources in each of these areas. For 2006 the Council was assessed as adequate scoring 2 out of 4.

Table 4

Element	Assessment
Financial reporting	2 out of 4
Financial management	2 out of 4
Financial standing	2 out of 4
Internal control	2 out of 4
Value for money	2 out of 4
Overall assessment of the Audit Commission	2 out of 4

(Note: 1=lowest, 4=highest)

- 46 Whilst the overall use of resources score for 2006 remains adequate there have been improvements in a number of key areas. For example in 2005 the key factors in determining the overall judgements for Financial Standing and Internal Control were the significant overspend in social services and the weaknesses reported in our Public Interest report on Cheshire Lines. The Council's positive response to both these issues has resulted in improved scores this year.
- 47 We reported our findings from our Use of Resources assessments in our report and presentation to the Audit and Risk Management Committee and Cabinet on the 23 and 24 January 2007 respectively. The key issues arising from our assessment are set below.
- 48 The Council continues to develop its Medium term financial strategy. It needs to ensure that its corporate plan, due to be updated in 2007, clearly drives the medium-term financial strategy (MTFS). The MTFPS should be underpinned by a detailed MTFP that provides clear links to other internal strategies and details how funding gaps are to be financed.

- 49 The Council has improved its budget management arrangements in several areas, including action plans to address material variances and improved reports to Members. Our review of budgetary control arrangements in social services highlighted weaknesses in reporting arrangements, but recognised the improved procedures for budget monitoring, accountability and reporting that have been introduced. Key recommendations included the need to monitor the effectiveness of the new procedures and to ensure budget monitoring reports to Members are sufficiently detailed to allow them to effectively monitor and challenge the achievement and realism of savings targets.
- 50 The Council has made good progress in strengthening some of its internal control and governance arrangements. This has included improvement arrangements for corporate risk management and ensuring compliance with relevant internal procedures and the establishment of an Audit Committee. Areas for further development include the review of governance and risk management arrangements for significant partnerships.
- 51 Our assessment of the Council's financial standing reflected that it had maintained its overall spending within budget during 2005/06, although available balances had again needed to be utilised and remained at a low level. We reported the need for the Council to develop a robust policy for reserves and balances, based on a thorough assessment of its needs and risks, and to ensure that reserves and balances are maintained within the range agreed in the policy.

Financial position

- 52 The budget for 2006/07 included a contribution to re-instate balances to £4m. Movements on balances during 2006/07, including using some £4.2m to fund the additional costs of the waste contract and a shortfall in the Cultural services budget. Together with various contributions during the year balances stood at £8.7m in January 2007; approximately £4.2m of balances has since been used in setting the budget for 2007/08.
- 53 The Director of Finance expects to begin 2007/08 with balances of £4.5m. However financial pressures in other areas may yet have a significant impact on the underlying level of revenue balances as at 1 April 2007. These include:
- 54 **Budget Outturn:** Any overall Council overspend in 2006/07 will need to be met by balances. The Department of Adult Social Services have reported to the 6 March Scrutiny committee a projected overspend of up to £1.5m. Other budget pressures include Children's services.
- 55 **Balances with health partners:** No income has been received in respect of £1.9m of outstanding debts due from Primary Care Trusts outside of Wirral. As at 28 February 2007, no formal legal action has been taken to recover these arrears. The Director of Finance has reported to Members that if these are not paid during 2006/07, a bad debt provision, and corresponding charge to services, will be required for this amount on closing the accounts for 2006/07.

- 56 Equal Pay:** The Council will not have resolved potential pay compensation claims or have in place an equality-proofed pay structure by 31 March 2007. The Council was therefore not able to meet DCLG criteria and apply for a capitalisation direction in 2006/07, unlike for example several North West councils. In the absence of a completed local review, it is not possible at this stage to estimate the likely cost to the Council. However, although Wirral has increased its budgetary provision for the Local Pay Review in 2006/07, this is likely to fall significantly short of potential liabilities. The Council needs to ensure that the local pay review is completed as soon as is practicable and it seeks early confirmation of what sums, if any, the DCLG is willing to capitalise.
- 57** The significant financial targets that are expected of departments during 2007/08 will place additional pressures on the Council's underlying financial position. These include:
- a combined target for service re-engineering savings and additional procurement savings of £5.4m; and
 - the need to reduce the net budget by £7.6m from a combination of increased charges and additional savings measures.
- 58** The achievement of these financial targets will represent a significant challenge to the Council during 2007/08. Part of the challenge will be the need to ensure that delivered savings are sustainable. The Council will need to ensure regular reports are presented to Members reporting progress on planned and delivered savings. Members will need to ensure reports are presented in such a way as to allow them to effectively monitor and challenge the achievement and realism of savings targets and to enable them to take the difficult decisions about what services to provide, where and how.
- 59** The Director of Finance has recently reported to Members that the current base budget is not sustainable and likely to deteriorate further given the likely outcome of the forthcoming Comprehensive Spending Review. In the light of this, Cabinet have agreed to the three year Efficiency Plan, which seeks to reduce costs by £30 million.
- 60** The Council is developing a range of approaches to review and challenge costs and performance in order to demonstrate that they achieve value for money. This is work in progress and is not yet at the stage where the Council can demonstrate that it is achieving best value compared to other similar councils. Performance is generally good but spend in a number of areas is higher than similar councils. These include overall spend, education and social services, local tax collection, benefits and community housing. In some areas where spend is low, performance is also low – for example, recycling and waste.

- 61 There is a clear commitment to efficiency and to achieving VFM. The Council have begun to challenge areas of high cost and detailed reviews of cost and performance have been considered by chief officers in relation to adults and children's social care services. There is a strengthened role for the performance improvement group around VFM and further detailed reviews are planned in the near future. Work to improve data quality and the development of a better range of cost indicators alongside performance indicators is planned. This will ensure that the Council has a better understanding of performance and costs and will be in a better position to ensure that they are achieving VFM in all areas.

Mersey tram

- 62 We are working with Merseytravel and the district councils across Merseyside to understand the circumstances which led to £70m being spent on the Merseytram project. There appears to be little prospect of this tram system being built in the near future. We shared our draft summary of findings with Merseytravel and senior officers in all the Merseyside councils in December 2006. At that stage the purpose of the report was to enable the key players to agree our summary.
- 63 We will shortly conclude our work to consider the events and decisions in the development and financing of the tram scheme including identifying whether there are any lessons to be learned to ensure the success of future Merseyside wide projects. Once we have concluded this work we will set out our findings and conclusions in a report to Merseytravel alongside a 'Learning The Lessons' report for all councils.

Conclusion

- 64 This letter has been discussed and agreed with senior officers. A copy of the letter will be presented to the Cabinet/Audit and Risk Management Committee in May 2007.
- 65 The Council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation.

Availability of this letter

- 66 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

Judith Tench

Relationship Manager