

Annual Governance Report

September 2007



# Annual Governance Report

**Wirral Metropolitan Borough Council**

**Audit 2006/07**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

### **Status of our reports**

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

### **Copies of this report**

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## Purpose of this document

- 1 This report has been prepared in accordance with the Audit Commission's Code of Audit Practice (the Code) and the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 'Communication of Audit Matters to Those Charged With Governance'. It provides a summary of the work we have carried out during our 2006/07 audit of your accounts, the conclusions we have reached and the recommendations we have made to discharge our statutory audit responsibilities to those charged with governance (in your case the Audit and Risk Management Committee). The Code also requires us to report the outcome of our assessment of your arrangements for securing economic, efficient and effective use of its resources (the 'value for money conclusion') against 12 specified criteria as detailed in Appendix 7).
- 2 Other auditing standards require us to communicate with you in other specific circumstances including:
  - where we suspect or detect fraud;
  - where there is an inconsistency between the financial statements and other information in documents containing the financial statements; and
  - non-compliance with legislative or regulatory requirements and related authorities.
- 3 We are also required to communicate to you the Audit Commission's requirements in respect of independence and objectivity, and these are set out at Appendix 2.
- 4 This report has been prepared for presentation to the Audit and Risk Management Committee on 27 September 2007. Members are invited to:
  - consider the matters raised in the report before the financial statements are approved;
  - approve the representation letter on behalf of the Authority and those charged with governance before we issue our opinion; and
  - consider amending the financial statements for unadjusted misstatements, significant qualitative aspects of financial reporting and any recommendations for improvement in the action plan.
- 5 Our work during the year was performed in line with the plan that was issued in April 2006. A summary of reports relating to our audit this year was reported to the Audit & Risk Management Committee in June 2007. Further reports planned to be issued are listed in Appendix 3.

## Key messages

- 6 Our work on the financial statements is substantially complete. The Authority's processes for preparing the financial statements and supporting working papers are satisfactory and have improved during the year. The main issues arising during the audit have involved reclassifications between some reserves and provisions and within debtor and creditor balances. We propose to issue an unqualified audit opinion by 30 September 2007 (a draft report is attached at Appendix 4).
- 7 Our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources is complete. The arrangements are effective and there are no issues to bring to members attention in relation to the arrangements at 31 March 2007. We propose to issue an unqualified conclusion on the use of resources by 30 September 2007. (A draft report is attached at Appendix 4).
- 8 Looking forward, the Authority recognises the need to ensure that its revised corporate plan is finalised in time to influence service priorities and important decisions on resource allocations. In the face of a predicted budget shortfall of £25.5m in 2008/09 and further £20m over the following two years, the Authority faces key decisions in relation to the services it wishes to provide and how these services will be delivered.
- 9 We have no issues to report to you under other auditing standards and in our view, the Statement on Internal Control (SIC) has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings from our audit.
- 10 The Authority's staff have taken a positive and constructive approach to our audit and we would like to take this opportunity to express our appreciation for their assistance and co-operation.

## Recommendations

- 11 The main recommendations which we wish to bring to members attention are the need to :
  - ensure the Authority's reserves and provisions are classified in accordance with appropriate accounting requirements;
  - finalise the corporate plan and ensure it provides an effective strategic direction to the Authority, with clear service priorities that will be closely linked to service plans and resource allocations over the next three years; and
  - finalise plans for delivering the Authority's efficiency plan targets. This should include reviewing the Authority's approach to achieving its efficiency plan targets for 2008/09 and beyond, having regard to the Council's future strategy for service provision.
- 12 The recommendations are included in the form of an action plan at Appendix 1.

## Accounts and Statement on Internal Control

- 13 The Authority's processes for preparing the financial statements and supporting working papers are satisfactory. There are only a small number of issues that we wish to bring to members attention.

### Representations from management

- 14 As your auditors we are required to obtain written confirmation of certain representations from management and those charged with governance before our audit report is issued. For example, management are required to acknowledge their responsibility to present the financial statements fairly and in accordance with the applicable financial reporting framework.
- 15 The auditor should also obtain written representations from management on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist.
- 16 The final draft of the letter of representation has been attached as Appendix 5. There are no specific issues in relation to the content of the letter that we wish to draw to member's attention.

### Unadjusted misstatements

- 17 We are required to report to you any misstatements that we have identified during the course of our audit that remain unadjusted - other than those that are clearly trivial. There are no such items, at this stage, to bring to your attention.

### Adjustments to the financial statements

- 18 We are also required to bring to your attention misstatements that have already been corrected by management where we consider them relevant to your wider governance responsibilities. The one issue that we wish to draw to your attention this year is in relation to the accounting for reserves and provisions.
- 19 There are very specific conditions that govern the disclosure of an item as a provision in the accounts. These include that the Authority has a present obligation as a result of a past event, there is a probability that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made. In contrast, an earmarked reserve is where the Authority chooses to set resources aside. As part of this year's audit, adjustments have been made to the financial statements in respect of the Housing Benefit and Community Fund reserves. The Authority should strengthen its arrangements for the review of the classification of its provisions and reserves to ensure they fully comply with appropriate accounting requirements.

- 20 Other amendments to the accounts included:
- accounting adjustments between debtors and creditors;
  - re-classifications within debtors and creditors;
  - re-classification of £9.4m of expenditure within the cash flow statement;
  - two material misstatements in the explanatory foreword; and
  - a post balance sheet event detailing progress with Equal Pay arrangements.
- 21 There is no overall impact on the Authority's level of revenue balances following the adjustments made at audit. The matters arising from the audit will be detailed in our annual final accounts memorandum which will be reported to officers in October and presented to the December Audit & Risk Management Committee.

## Accounting practices

- 22 We are required to report to you our view on the qualitative aspects of the Authority's accounting practices and financial reporting. The quality of working papers provided to support the accounting statements has continued to improve. We set out below our observations on one issue affecting the Authority.
- 23 Members and senior officers are required to complete declarations at the year end to support the note on related party transactions within the financial statements. The formal questionnaire, used by officers in preparing the disclosure for related party transactions, was not returned by 29 Members (42 per cent) and 7 (15 per cent) of senior officers. Arrangements need to be introduced to enable members and officers to complete related party questionnaires in a timely manner in order that an effective assessment of the declarations can be made prior to the accounts being approved and audited.

## Systems of internal control

- 24 As part of our audit, we consider the systems of accounting and financial control and report to you any material weaknesses identified. We are pleased to report that we have not identified any material control weaknesses.
- 25 Our audit was not conducted to identify all weaknesses which may exist in internal control or identify all improvements which may be made. Our conclusion above is based on only those matters which have come to our attention as a result of the audit procedures we have performed.
- 26 We have also reviewed whether the SIC has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings from our audit. There are no matters arising.



## Use of resources

### Work performed

- 27** The Code requires us to reach a conclusion on whether we are satisfied that the Authority has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources – the value for money conclusion. In meeting this responsibility, we review evidence that is relevant to the Authority's corporate performance management and financial management arrangements across a range of criteria specified by the Audit Commission. Our work to support our conclusion comprised the following elements:
- use of resources assessment;
  - data quality work; and
  - the best value performance plan.

### VFM Conclusion

- 28** We have concluded that the Authority has met the required standard for each of the 12 criteria specified by the Audit Commission. These are detailed in Appendix 8.
- 29** In a number of areas the Authority performs well. In particular it has:
- continued to improve its arrangements for the monitoring and reporting of financial performance; and
  - further strengthened aspects of the Authority's internal control, with improved arrangements for governance and monitoring of partnerships and good progress in developing its business continuity procedures.
- 30** In other areas there is still scope to develop the Authority's arrangements. These are considered below.
- 31** In last year's Governance report we noted that the Authority's plans to improve its focus on priorities through effective service planning, setting clearer objectives and priorities was at an early stage. At that time the Authority was planning to revise its objectives and key priorities over the following six month period, with a refreshed corporate plan due in April 2007. Progress with the corporate plan has been slower than anticipated. This is in part due to the changes in the Authority's political arrangements in May 2007. The Authority recognises the need to ensure that its revised corporate plan is finalised in time to influence service priorities and important decisions on resource allocations that need to be made. This is particularly significant given the challenging financial situation that the Council faces.

- 32 Budget pressures in 2007/08 have resulted in the Adult Social Services and Children & Young People departments reporting potential overspends of £2.5m and £1.8m respectively, although it is assumed at present that these overspends will be contained within approved budgets. There are additional in-year pressures in relation to achieving savings targets, with for example, £2.88m of Service Re-engineering savings for 2007/08 still to be identified.
- 33 The outlook for 2008/09 presents even greater challenges. On 24 January 2007 the Director of Finance reported that the current base budget is not sustainable and Cabinet agreed to an efficiency plan for 2008 to 2011 aimed at delivering savings totalling £30m. This efficiency plan target was subsequently increased to £45m to provide for price inflation; with a £25.5m budget shortfall identified for 2008/09. Although originally planned for June 2007, Chief Officers have still to report their proposals to meet these targets.
- 34 In view of the scale of savings required, there is a risk that the traditional approach of allocating savings targets pro-rata across departments will not deliver the required targets. The Authority should consider the scope for a more fundamental review of what services it wishes to provide, to what extent and how these services will be delivered. This will require a clear commitment by Members and officers to make difficult decisions about what services will be provided from 1 April 2008 and thereafter.

## **Use of resources assessment**

- 35 We are currently finalising our report arising from our use of resources assessment. When finalised, we will discuss this with the relevant officers.

## **Data quality work**

- 36 We are currently finalising our data quality review and will report our findings to the relevant officers.

## **Best value performance plan**

- 37 Our work in respect of the Authority's 2006/07 Best Value Performance Plan (BVPP) was reported in the 2006 annual audit and inspection letter. No recommendations were made to the Audit Commission or the Secretary of State.

## Audit fee update

- 38 We reported our fee proposals as part of the Audit Plan for 2006/07. The table below reports the outturn fee against that plan.

	<b>Plan 2006/07</b>	<b>Actual 2006/07</b>
Financial statements and Statement on Internal Control	£219,400	£228,400
Use of Resources	£154,000	£154,000
Total Code of Practice Audit Fees	£373,400	£382,400
Grants certification work	£165,000	
Total inspection fee, net of grant	£43,700	£43,700
Voluntary Improvement Work	£0	£12,400
Whole of Government Accounts (WGA)	£0	£2,250

- 39 The increased fee for our work on the financial statements relates to additional work in relation our review of the bringing forward of account balances from the previous year and associated journal entries, following the introduction of the new General Ledger system.
- 40 The outturn on grants certification fees will be reported separately.
- 41 The Voluntary Improvement Work involved assisting the Council to archive and subsequently access several years of general ledger (GL) transactions prior to the Council's disposal of its ICL mainframe in March 2007 which hosted the previous GL system.
- 42 The fee for the WGA audit is a standard fee set by the Audit Commission. For subsequent years, the fee is being consolidated in the overall fee scales set by the Audit Commission.

## Appendix 1 – Action plan

Page	Recommendation	Priority 1 = Low 2 = Medium 3 = High	Responsibility	Agreed	Comments	Anticipated Implementation Date
6	Ensure the Authority's reserves and provisions are classified in accordance with appropriate accounting requirements.	2	Director of Finance	Yes	Accounting manual to be updated and requirements to be clarified.	January 2008.
6	Finalise the corporate plan and ensure it provides an effective strategic direction to the Authority, with clear service priorities that will be closely linked to service plans and resource allocations over the next three years.	3	Deputy Chief Executive.	Yes	Anticipate agreement by Cabinet in November.	November 2007
6	Finalise plans for delivering the Authority's efficiency plan targets. This should include reviewing the Authority's approach to achieving its efficiency plan targets for 2008/09 and beyond, having regard to the Council's future strategy for service provision.	3	Deputy Chief Executive.	Yes	The Authority recognises the critical importance of achieving these savings and regular reports on the Council's financial position are considered by Cabinet.	By end of 2007

## Appendix 2 – The Audit Commission’s requirements in respect of independence and objectivity

- 1 We are required to communicate the following matters to those charged with governance:
  - the principal threats, if any, to objectivity and independence identified by the auditor, including consideration of all relationships between the Authority, directors and the auditor;
  - any safeguards adopted and the reasons why they are considered to be effective;
  - any independent partner review;
  - the overall assessment of threats and safeguards; and
  - information about the general policies and processes for maintaining objectivity and independence
- 2 We wish to draw the following matter to your attention. Judith Tench is married to the Director for Local Governance at the Centre for Educational leadership at the University of Manchester. His primary role is to lead on the strategic development and management of local government development programmes. The centre is contracted to work with the North West Improvement Network.
- 3 We have reviewed this relationship against the ethical standards issued by APB and with the Commission's own requirements set out in its Code of Audit practice. We have concluded that it does not affect her independence and objectivity as your District Auditor. If you have any concerns or questions about this issue you should raise them with Judith Tench in the first instance.
- 4 We are not aware of any other relationships that may affect the independence and objectivity of the District Auditor and the audit staff, which we are required by auditing and ethical standards to communicate to you.
- 5 We comply with the ethical standards and with the Commission’s requirements in respect of independence and objectivity.

## Appendix 3 – Audit reports issued

<b>Planned output</b>	<b>Planned date of issue</b>	<b>Actual date of issue</b>	<b>Addressee</b>
Audit and Inspection plan	April 2006	3 April 2006	Cabinet Audit & Risk Management Committee
Annual governance report	30 September 2007	27 September 2007	Audit & Risk Management & Cabinet
Opinion on financial statements	30 September 2007	27 September 2007	Audit & Risk Management & Cabinet
VFM conclusion	30 September 2007	27 September 2007	Audit & Risk Management & Cabinet
Use of resources assessment	6 December 2007	6 December Expected	Cabinet & Audit & Risk Management
Final accounts memorandum	30 November 2007	30 November Expected	Audit & Risk Management
BVPP report	31 December 2006	11 December 2006	Chief Executive
Data quality report	30 November 2007	30 November Expected	Audit & Risk Management
Annual audit letter	31 March 2007	31 March 2007 expected	Cabinet & Audit & Risk Management

## Appendix 4 – Proposed auditor’s report

### Independent auditor’s report to the Members of Wirral Metropolitan Borough Council

#### Opinion on the financial statements

- 1 I have audited the financial statements and pension fund accounts of Wirral Metropolitan Borough Council for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. The pension fund accounts comprise the Fund Account, the Net Assets Statement, and the related notes. The financial statements and pension fund accounts have been prepared under the accounting policies set out within them.
- 2 This report is made solely to Wirral Metropolitan Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

#### Respective responsibilities of the Chief Finance Officer and auditors

- 3 The Chief Finance Officer’s responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.
- 4 My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).
- 5 I report to you my opinion as to whether the financial statements and the pension fund accounts present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006:
  - the financial position of the Authority and its income and expenditure for the year; and
  - the financial transactions of its pension fund during the year and the amount and disposition of the fund’s assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

- 6 I review whether the statement on internal control reflects compliance with CIPFA’s guidance: ‘The statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003’ issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.
- 7 I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Pension Fund’s Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

- 8 I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.
- 9 I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.



## Opinion

10 In my opinion:

- the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended; and
- the pension fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial transactions of the Pension Fund during the year ended 31 March 2007, and the amount and disposition of the fund’s assets and liabilities as at 31 March 2007, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Signature..... Date.....

Judith Tench. District Auditor

Audit Commission, The Heath, Runcorn, Cheshire, WA7 4QF

28 September 2007

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

### **Authority’s Responsibilities**

- 11 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 regularly review the adequacy and effectiveness of these arrangements.
- 12 Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the authority’s assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### **Auditor’s Responsibilities**

- 13 I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority 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 in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. 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.
- 14 I am required by section 7 of the Local Government Act 1999 to carry out an audit of the Authority’s best value performance plan and issue a report, certifying that I have done so, stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance and where relevant, making any recommendations under section 7 of the Local Government Act 1999.

### **Conclusion**

- 15 I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Wirral MBC made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

### **Best Value Performance Plan**

- 16 I issued my statutory report on the audit of the Authority’s best value performance plan for the financial year 2006/07 on 11 December 2006. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

### **Certificate**

- 17 I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature..... Date.....

Judith Tench. District Auditor

Audit Commission, The Heath, Runcorn, Cheshire, WA7 4QF

28 September 2007

## Appendix 5 – Management representation letter



### Finance Department

Ian Coleman BSc, CPFA  
*Director of Finance*  
PO Box No 2,  
Treasury Building,  
Cleveland Street,  
Birkenhead, Wirral,  
Merseyside. CH41 6BU  
telephone: 0151-666 3056  
Email: [iancoleman@wirral.gov.uk](mailto:iancoleman@wirral.gov.uk)

to The Audit Commission,  
Block 4,  
The Heath Business and Technical Park,  
The Heath,  
RUNCORN.  
WA7 4QF

date 20 September, 2007

your ref  
my ref FA/IEC  
please ask for Ian Coleman

Dear Sirs,

### **Wirral Council - Audit for the year ended 31 March 2007**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Wirral Council, the following representations given to you in connection with your audit of the Wirral Council financial statements for the year ended 31 March 2007.

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements which are presented fairly and for making accurate representations to you.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

### **Specific representations**

There are no other material amounts relating to unfunded liabilities, curtailments or settlements of past service costs relating to pension provision other than those which have been properly recorded and disclosed in the financial statements.

There are no other material amounts relating to Equal Pay / Job Evaluation other than those which have been properly recorded and disclosed in the financial statements.

During 2007/08 the Council commenced a negotiated settlement of the Equal Pay obligations. The payments in respect of the Back Pay element are based upon compensation arrangements as no claims had been received at 31 March 2007. The final costs are also dependent upon the conclusion of the Local Pay Review and developments since 31 March have been included in a post balance sheet note.

### **Supporting records**

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council, Cabinet, Executive Board and other Committee meetings, have been made available to you.

### **Related party transactions**

I confirm the completeness of the information provided regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded, and where appropriate, adequately disclosed in the financial statements

### **Contingent liabilities**

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- a) there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- b) there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- c) no financial guarantees have been given to third parties.

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

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The body has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

**Assets**

The following have been properly recorded and when appropriate adequately disclosed in the financial statements:

- a) losses arising from sale & purchase commitments;
- b) agreements & options to buy back assets previously sold; and
- c) assets pledged as collateral.

**Irregularities**

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect error. There have been no:

- a) irregularities involving management or employees who have significant roles in the system of internal accounting control;
- b) irregularities involving other employees that could have a material effect on the financial statements; or
- c) communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

**Post balance sheet events**

Since the date of approval of the financial statements by the Audit and Risk Management Committee, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

**Compensating arrangements**

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts and we have no other lines of credit arrangements.

Signed on behalf of Wirral Council

Name	Ian Coleman
Position	Director of Finance
Date	

## Appendix 6 – Summary of adjusted misstatements

- 1 The following misstatements were identified during the course of our audit and the financial statements have been adjusted by management. We bring them to your attention to assist you in fulfilling your governance responsibilities.

Description of Misstatement		Income and Expenditure Account		Balance Sheet	
		Dr £000s	Cr £000s	Dr £000s	Cr £000s
1	The accounts were adjusted because the PFI debtor had been incorrectly classified as short term this year.			Long term Debtors 567	Short term Debtors 567
2	The accounts were adjusted to remove the netting off of credit balances against short term debtors.			Debtors 582	Creditors 582
3	The accounts were adjusted to remove the netting off of debtor balances against creditors.			Debtors 1,338	Creditors 1,338
4	The accounts were adjusted to remove a CYP unitary charge payment in relation to 2007/08 that had been incorrectly identified as both a prepayment and a creditor.			Creditors 895	Debtors 895
5	The accounts were adjusted to correct an error in the HB invoiced overpayments balance.	Housing Services 987			Debtors 987

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Description of Misstatement		Income and Expenditure Account		Balance Sheet	
		Dr £000s	Cr £000s	Dr £000s	Cr £000s
6	As a consequence of adjustment 5 above the calculation of the HB overpayments provision for bad debts was overstated and corrected.		Housing Services 987	Debtors 987	
7	The Community Fund reserve was reclassified as a provision to comply with accounting standards	Housing Services 8,771	Statement of Movement 8,771	Reserves 8,771	Provisions 8,771
8	The purpose of part of the HB reserves was reclassified as a provision to comply with accounting standards and the previous two HB reserves have been amalgamated.	Housing Services 6,110	Statement of Movement 6,110	Reserves 6,100	Provisions 6,100
9	The cash flow statement was amended to reclassify an amount of £9.428m as 'interest paid'.				
Note 9	The note was amended to remove related party transaction receipts for 2006/07 that had been included in error.				
Note 19	The note was amended to refer to assets held by the Williamson Art Gallery. The assets are included in the accounts at a nominal value and described in the disclosure note.				



Description of Misstatement		Income and Expenditure Account		Balance Sheet	
		Dr £000s	Cr £000s	Dr £000s	Cr £000s
Note 31	<p>The debtors totals in note 31 were amended to reflect errors in classification as follows</p> <ul style="list-style-type: none"> <li>• Government Departments changed from 15,069 to 16,407</li> <li>• Other Public Bodies changed from 8,680 to 15,028</li> <li>• Sundry Debtors changed from 42,021 to 34,567</li> <li>• Prepayments changed from 1,234 to 472.</li> </ul>				
Note 33	<p>The creditors totals in note 33 were amended to reflect errors in classification as follows.</p> <ul style="list-style-type: none"> <li>• Government Departments changed from 18,584 to 15,104</li> <li>• Other Public Bodies changed from 2,764 to 5,953</li> <li>• Sundry Creditors changed from 34,581 to 30,442</li> <li>• Receipts in advance changed from 8,103 to 13,558.</li> </ul>				
Note 44	<p>Note 44 was amended to reflect progress since 1 April 2007 in settling some claims for back pay under the equal pay obligations as a post balance sheet event.</p>				

## Appendix 7 – Value for money conclusion

- 1 The Audit Commission has published, in accordance with the Code of Audit Practice, 12 criteria on which auditors are required to reach a conclusion on the adequacy of an audited body’s arrangements for economy, efficiency and effectiveness in its use of resources.
- 2 The Code criteria are linked to the use of resources assessment (UoR) key lines of enquiry (KLoEs). A score of Level 2 or higher under the KLoEs will result in an assessment that the Authority has adequate arrangements in place for the purposes of the Code criteria. The Code criteria and the linked KLoEs are show in the table below.

Code Criteria	Description	Associated UoR KLoE	VFM Conclusion
1	The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	N/A	Adequate
2	The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	N/A	Adequate
3	The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	N/A	Adequate
4	The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	LG DQ KLoEs	Adequate
5	The body has put in place arrangements to maintain a sound system of internal control.	4.2	Adequate
6	The body has put in place arrangements to manage its significant business risks.	4.1	Adequate

<b>Code Criteria</b>	<b>Description</b>	<b>Associated UoR KLoE</b>	<b>VFM Conclusion</b>
7	The body has put in place arrangements to manage and improve value for money.	5.2	Adequate
8	The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	2.1	Adequate
9	The body has put in place arrangements to ensure that its spending matches its available resources.	3.1	Adequate
10	The body has put in place arrangements for managing performance against budgets.	2.2	Adequate
11	The body has put in place arrangements for the management of its asset base.	2.3	Adequate
12	The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	4.3	Adequate