

# **METROPOLITAN BOROUGH OF WIRRAL**

## **FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE**

**21 JUNE 2006**

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

#### **ANNUAL AUDIT AND INSPECTION LETTER 2004/05**

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

- 1.1 The Annual Audit and Inspection letter from the Audit Commission was submitted to Cabinet on 16 March 2006 when it was referred to the appropriate Select, now Overview and Scrutiny, Committees for consideration.
- 1.2 This report provides a summary of the issues identified and for those that fall under the broad heading of financial matters the actions taken / planned to address those issues.

##### **2. KEY MESSAGES**

- 2.1 The key messages from each area of the audit were as follows: -

###### **2.2 Council Performance**

- 2.2.1 The Council continues to deliver improvements in many services and maintains a strong focus on working in partnership and reducing costs. It has also been able to focus on several major projects which are of fundamental importance to the modernisation and development of Council services.
- 2.2.2 Besides the investment in major projects to increase efficiency the Council has identified the need for improvements in services including waste recycling, educational special needs and social care assessments.
- 2.2.3 Whilst the Council has taken some significant steps to improve the way it functions the Comprehensive Performance Assessment 2005 highlighted issues around the strategic framework and the priorities of the Council.
- 2.2.4. There is a strong corporate commitment to achieving value for money and a good focus on reducing costs over the past two years. However, there remain significant financial pressures resulting from 2004/05 and based upon the projections to be addressed.

###### **2.3 Accounts and Corporate Governance**

- 2.3.1 The Accounts had been reported upon in October 2005 and approved without qualification.

2.3.2 The corporate governance arrangements are generally satisfactory. The good progress made in addressing the issues in the Public Interest Report into the Cheshire Lines Building in August 2005 was recognised.

2.3.3 There were no identified significant weaknesses in the arrangements for the prevention of fraud and corruption or for ensuring the legality of significant financial transactions.

## **2.4 Conclusions**

2.4.1 The Audit Commission concluded that whilst democratic arrangements need to be developed the Council has a strong focus on reducing costs and is improving the way it works. The financial position of the Council was affected by events in 2004/05 and, at the time, the financial pressures for 2006/07 were to be addressed.

## **3. RESPONSES TO THE FINANCIAL ISSUES RAISED**

### **3.1 Council Performance**

3.1.1 The Comprehensive Performance Assessment (CPA) when it was reviewed in 2005 rated the Benefits Service as scoring 4 out of a possible 4 and the Use of Resources as scoring 2. In both areas the standards were raised significantly in 2005. The latter reflected more the corporate approach to resource management and value for money and the issues from 2005, and for 2006, is the subject of a separate report on this agenda.

3.1.2 The investment in 1 Business is one element of the Council change agenda. Progress on the overall project, as well as the individual projects for Customer Relationship Management, Integrated Financial Systems and Content Management is regularly reported to Members. It was reported to Cabinet on 22 September 2005 that the Financials element will realise efficiency savings of £360,000 in 2006/07 rising to £815,000 by 2008/09.

3.1.3 On 1 March 2006 Council agreed the 2006/07 budget which resulted in a Council Tax rise of 4.49% which was marginally below the national average and an increase in the level of projected Council balances to £4 million at 31 March 2007.

3.1.4 Improvements in aligning financial and performance planning and monitoring were made in 2005. These have been further enhanced as detailed in the report to the Executive Board on 6 April 2006 and which is also included on this agenda.

3.1.5 In terms of performance information the use of the Performance Information Management System (PIMS) has increased and is intended to encompass all departments and enable a hierarchical structure in monitoring performance against priorities.

## **3.2 Accounts and the financial aspects of corporate governance**

- 3.2.1 The Council recognised the benefits to financial management and planning by bringing forward the date for completion of the Annual Accounts in 2004/05. The 2005/06 Accounts are to be presented to Audit & Risk Management Committee on 29 June 2006. Whilst 2004/05 saw the Financial Services Division strengthened, staffing difficulties and the impact of the implementation of 1 Business during 2005/06 made this a challenging year.
- 3.2.2 In order to address the staffing issues and to respond to the opportunities presented by 1 Business and the changing requirements of Treasury Management and capital the structure of the Financial Services Division remains under review. This includes the delivery of efficiencies under 1 Business in 2006/07.
- 3.2.3 The concerns raised by the Audit Commission regarding the financial and housing benefit systems are being addressed through both the 1 Business project and the replacement of the Benefits and Revenues systems. Whilst the Department for Work and Pensions (DWP) has now resolved the issues around the housing benefit subsidy claim for 1999/2000 responses are awaited on the claims for the subsequent years. The Council, and Audit Commission, continue to seek a resolution and the reserve created to meet repayments to DWP is retained.
- 3.2.4 The enhancements to the financial monitoring and reporting arrangements during 2005/06 highlighted the pressures being faced by the Department of Social Services. These reports were subject to scrutiny by both Select Committees and Cabinet resulting in additional resources being allocated in 2005/06 and identified for 2006/07 and 2007/08.
- 3.2.5 Under the Local Government Act 2003 I am required to present a written report on the robustness of budget proposals, consider the adequacy of General Fund balances and reserves, the achievability of any savings included and the impact upon the financial position for the following year. The 2006/07 budget set balances at £4 million and the projections for 2007/08 will see this figure increase to £5 million at 31 March 2008.
- 3.2.6 Since April 2005 I have been regularly reporting upon the major financial issues facing the Council with high-level projections for the forthcoming years. This is in line with the period of the current Medium Term Financial Strategy and Government Spending Review being updated with any changes as they become available.
- 3.2.7 The adequacy and effectiveness of the Council's internal financial controls were recognised as being satisfactory although they have since been strengthened in a number of areas, partially from the action plan resulting from the Public Interest Report into the Cheshire Lines Building and also through the 1 Business project and the replacement of the Benefits and Revenues systems.

- 3.2.8. A report is to be presented to the Audit and Risk Management Committee and the Cabinet on the Audit Commission review of Treasury Management which has been held pending the outcome of the subsequent review of the Use of the Prudential Code. Both will impact upon the Financial Services Division and are part of the considerations relating to the structure referred to in paragraph 3.2.2.
- 3.2.9. In terms of the capital programme the Capital Investment Programme guidance document, agreed by Cabinet on 30 June 2005, and related training, provided a consistent framework and approach. This is subject to review and following the recent Audit Commission reports (see 3.2.8.), links with other public sector bodies and the refinements in the monitoring and reporting arrangements for 2006/07. This review is presently being undertaken.
- 3.2.10. The recent award of the Environment Streetscene contract represented an opportunity for the Council to put into practice the lessons learned from previous tendering exercises whilst also offering a methodology for future tendering procedures, with consultancy advice on technical and legal issues supplementing the 'in-house' expertise on these areas plus finance and procurement. The decision was also taken to commission an independent 'Gateway Review' of the project.
- 3.2.11 The Audit Commission recognised the progress made in respect of grant claims which was reported to the Finance and Corporate Management Select Committee on 30 January 2006. This covered the 2003/04 financial year since which time improvements to the quality of controls and grant claim submissions have been made including the production of a manual and training, provided with the Audit Commission, for those involved.

#### 4. **FINANCIAL IMPLICATIONS**

4.1 There are none arising from this report.

4.2 The Audit and Inspection fees for 2004/05 were as follows:-

Area of audit work	£
Performance (Council and other)	135,800
Accounts	84,500
Financial aspects of corporate governance	158,900
Grant claim certification (to date)	140,000
Inspection fee for the full year	<u>66,100</u>
	585,300

#### 5. **STAFFING IMPLICATIONS**

5.1 There are none arising from this report.

#### 6. **EQUAL OPPORTUNITY IMPLICATIONS**

6.1 There are none arising from this report.

**7. COMMUNITY SAFETY IMPLICATIONS**

7.1 There are none arising from this report.

**8. HUMAN RIGHTS IMPLICATIONS**

8.1. There are none arising directly from this report.

**9. LOCAL AGENDA 21 IMPLICATIONS**

9.1. There are none arising directly from this report.

**10. PLANNING IMPLICATIONS**

10.1. There are none arising directly from this report.

**11. MEMBER SUPPORT IMPLICATIONS**

11.1. There are none arising directly from this report.

**12. BACKGROUND PAPERS**

12.1 The Audit Commission Annual Audit and Inspection letter 2004/05.

**13. RECOMMENDATION**

13.1. That the report, and actions being taken, be noted.

IAN COLEMAN  
DIRECTOR OF FINANCE

FNCE/162/06