

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

18 JANUARY 2010

REPORT OF THE DIRECTOR OF FINANCE

AUDIT OPINION PLAN

1. EXECUTIVE SUMMARY

1.1. The Audit Opinion Plan sets out the work that the Audit Commission is proposing to perform in relation to the audit of the Council financial statements for 2009/10.

2. INTRODUCTION

2.1. To complete the audit of the 2009/10 Statement of Accounts the Audit Commission has detailed in advance the approach to the audit which is contained in the Audit Opinion Plan.

2.2. Whilst the Opinion Plan details the approach being undertaken and explains the underlying issues it is primarily of relevance to officers involved in the process. There are four key topics for Members of this Committee to consider:-

- Annual Governance Statement March 2010
- Statement of Accounts (pre-Audit) June 2010
- Annual Governance Report September 2010
- District Auditor's Report September 2010

3. KEY TOPICS FOR MEMBERS CONSIDERATION

3.1. Annual Governance Statement (AGS)

3.1.1 The preparation and publication of the AGS is to meet the statutory requirement set out in the Accounts and Audit Regulations 2006 as updated by the CIPFA /SOLACE Delivering Good Governance in Local Government Framework 2008. The Framework emphasises that good governance and therefore the process and AGS should be corporately owned and the AGS be signed by the Leader of the Council and the Chief Executive.

3.1.2 Governance is about how the Authority ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes and controls, and cultures and values, by which the Authority is directed and controlled and through which it accounts to, engages with, and, where appropriate, leads the community.

3.1.3. In order to comply with the Framework local authorities are expected to:-

- Review their existing governance arrangements against the Framework
- Maintain an up to date local Code of Governance, including arrangements for ensuring its ongoing application and effectiveness
- Prepare an Annual Governance Statement to report publicly on the extent to which they comply with the principles.

3.1.4 I report the AGS to the Audit & Risk Management Committee on 24 March 2010 in order that the Committee can fulfil their responsibilities in ensuring themselves that the Authority is meeting its statutory requirements.

3.2. **Statement of Accounts (SOA)**

3.2.1 The Accounts are produced in accordance with the statutory accounting framework laid down by the Accounts and Audit Regulations 2003. The framework is supported by the Statement of Recommended Practice (SORP) which is updated annually and specifies the accounting principles and practices required to prepare a SOA which presents fairly the financial position of the Authority at 31 March. It is signed by the Chair of the Audit & Risk Management Committee and the Section 151 Officer of the Council

3.2.2 The Regulations specify that the SOA must be presented to an appropriate committee no later than 30 June. The Audit & Risk Management Committee is responsible for approving the Statement of Accounts at Wirral and for meeting the Council responsibilities under Section 151 of the Local Government Act 1972 to make proper provision for its financial affairs. The SOA is then subject to audit. If the Audit Commission requires any material amendments to the Accounts, then as stipulated by the Regulations, these must be reported before 30 September.

3.2.3 To assist Members the SOA is accompanied by a presentation on the legislative background, the contents (which include the aforementioned Annual Governance Statement and the Merseyside Pension Fund accounts which have first to be considered by Pensions Committee), issues arising from the Statements and the role of Members in the process.

3.2.4 The Audit & Risk Management Committee role is to ensure that the quality control procedures are in place to ensure that the SOA submitted for audit is of the appropriate standard. Given the complex technical nature of the Accounts the Committee is not expected to review the SOA in detail but should consider the following:-

- The key accounting policies
- Assurances about the financial systems that have provided the figures for the SOA;
- The quality control arrangements over the preparation of the SOA by the Director of Finance and his staff;
- Key judgements in preparing the SOA;
- Any issues raised by the Audit Commission that have to be resolved.

3.3. Annual Governance Report (AGR)

3.3.1 The Audit Commission work on the Statement of Accounts commences prior to their formal acceptance by the Chair of the Audit & Risk Management Committee. This preparatory work informs the audit approach, most of which is then completed during July, and informs the Financial Statements section of the AGR. The AGR also includes an assessment of how well the Council uses and manages the resources available to deliver value for money and sustainable outcomes for local people.

3.3.2 The District Auditor makes a presentation to the Committee on the AGR, which explains the contents and findings within the formal report. At this stage it is in draft form and requests the Committee to:-

- Consider the issues raised in the Merseyside Pension Fund AGR.
- Consider the issues raised in the Council AGR.
- Agree / note any adjustments to the financial statements.
- Approve the Letter of Representation.

3.3.2 I report to the same meeting the findings of the District Auditor as they impact upon the Statement of Accounts together with explanations of any changes. The same meeting will also receive a similar report highlighting any changes to the Pension Fund accounts that have been considered by the Pensions Committee.

3.4. District Auditor's Report (Audit Opinion)

3.4.1 The District Auditor has to issue his report and opinion on whether the Statement of Accounts presents fairly the financial position of the Authority at 31 March and its income and expenditure for the year. This has to be issued by 30 September. This Opinion is released following Committee consideration of the Annual Governance Report and the Letter of Representation and confirmation that any required changes to the Statement of Accounts have been implemented.

3.5. Summary

3.5.1 The Statement of Accounts (financial statements including the Annual Governance Statement) are an important means by which the Council accounts for its stewardship of public funds. The Audit & Risk Management Committee, on behalf of the Council, has final responsibility for these statements.

3.5.2 The Statement of Accounts is a key element of the Comprehensive Area Assessment Use of Resources judgement which includes managing finances and governing the business.

4. FINANCIAL IMPLICATIONS

- 4.1. The estimated Audit fee for the opinion audit of the 2009/10 Statement of Accounts is £256,298 and £7,428 for the Whole of Government Accounts.

5. STAFFING IMPLICATIONS

- 5.1. There are none arising directly from this report.

6. EQUAL OPPORTUNITIES/EQUALITY IMPACT ASSESSMENT

- 6.1. There are none arising directly from this report.

7. COMMUNITY SAFETY IMPLICATIONS

- 7.1. There are none arising directly 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. Annual Audit Fees 2009/10 – Audit Commission – April 2009.
12.2. Audit Opinion Plan – report from the Audit Commission December 2009.

13. RECOMMENDATION

- 13.1. That in acknowledging their key role in the process Members request officers to make presentations to accompany the written reports on the topics raised.

IAN COLEMAN
DIRECTOR OF FINANCE