

Audit Commission Progress Report

Wirral Council

Audit 2009/10

Date **November 2010**

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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 non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Key messages

- 1 This report provides members with an update of our ongoing work at the Council and informs you of the risks arising from the audit, under International Standard on Auditing (United Kingdom and Ireland) 300. The key messages to draw to members' attention are:

Fees

- The new coalition government has stated that it is abolishing the Audit Commission. We will keep members informed of the impact on the audit and on fees (paragraph 2).

Opinion on the statement of accounts

2009/10

- Our Annual Governance Reports (AGRs) for Wirral Council and Merseyside Pension Fund were presented to the Audit and Risk Management Committee on 28 September (paragraph 21).
- The District Auditor gave unqualified opinions on the statements of account for Wirral Council and Merseyside Pension Fund on 30 September 2010 (paragraph 21)

2010/11

- The implementation of International Financial Reporting Standards (IFRS) will be a significant challenge for the Council (paragraph 25).
- Our audit approach for 2010/11 will be determined by new and more demanding International Standards on Auditing (ISAs) (paragraph 30).
- Our work documenting and testing systems and processes is about to commence (paragraph 34).

Value for money conclusion

2009/10

- The value for money conclusion was reported in the AGR presented to the September meeting of the Audit and Risk Management Committee (paragraph 37).
- The District Auditor gave an unqualified value for money conclusion confirming that the Council has satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources (paragraph 38)

2010/11

- The approach to our local VFM audit work in 2010/11 will be more targeted. We will focus on how the Council:
 - secures financial resilience; and
 - prioritises resources within tighter budgets (paragraph 41).

Public Interest Disclosure Act (PIDA) work

- Work on the PIDA in respect of the Directorate for Adult Social Services (DASS) continues (paragraph 44).
- Work on the PIDA in respect of the Highways and Engineering Services Procurement Exercise (HESPE) is now complete and was reported to the September meeting of the Audit and Risk Management Committee (paragraph 48).

National Fraud Initiative 2008/09

- The Council has made good progress on reviewing and investigating the matches with the exception of:
 - Council Tax - started to investigate some of the matches identified within the department
 - Accounts Payable - not yet reviewed creditors matches. At least £55,495 of creditors savings were identified from the previous NFI exercise (paragraph 50)
- As at June 2010 the Council had identified a potential £1,852,390 of overpayments made through error or fraud, including late savings from 2006/07 NFI and forward savings. This is likely to increase when creditors and council tax matches are investigated (paragraph 51).

Grant claims and returns 2009/10

- Grant claims work is progressing to schedule (paragraph 54)

Annual Audit Letter 2009/10

- Our Annual Audit Letter, summarising the key issues for the year, will be agreed by the end of November and presented to a subsequent Cabinet meeting and the Audit and Risk Management Committee in January (paragraph 58).

Audit team and key contacts

- We have updated the key officer contacts for the new Acting Chief Executive (paragraph 61).

Audit plan

Members' resources

- Members' resources have been updated with the latest reports published by the Audit Commission. We have also provided a full list of International Financial Reporting Standards (IFRS) reports and briefings for management and members (paragraph 65).

Audit plan

Audit Commission

- 2 The Secretary of State for Communities and Local Government announced on 13 August that the Audit Commission would be abolished in 2012/13. The Audit Commission is currently considering how this will be managed and plans are underway to develop an audit practice to continue external audit in the public sector. We will keep members up to date about the impact on external audit at Wirral and on how this will affect fees.

2010/11 plan

- 3 The letters with the proposed fees for 2010/11 for audit and assessment were agreed with officers in April and were presented to members on 30 June 2010. Alongside the audit fees letter we presented the Work programme and scales of fees 2010/11, the new Code of Audit Practice 2010 and the Statement of Responsibilities of Auditors and Audited bodies

Audit fee

- 4 The total indicative fee for the audit for 2010/11 is £392,000 (excluding VAT), a 0.5% increase on the planned fee of £390,000 for 2009/10. This is less than the Audit Commission's anticipated 6% increase for 2010/11 for the first year of International Financial Reporting Standards (IFRS) and is in line with our commitment to reduce the 2010/11 fee as noted at meetings with officers and members.
- 5 Members should also note that the Commission has confirmed that it would subsidise the 'one-off' element of the cost of transition to International Financial Reporting Standards (IFRS) for local authorities and police and fire and rescue authorities from 2010/11. You will therefore receive a refund from the Audit Commission of £21,904 which brings the fee charged for 2010/11 to £370,096.
- 6 The letter sent by the Audit Commission to the Council made it clear that we will continue to deliver the audit in line with the statutory Code of Audit Practice under which we are required to give a value for money conclusion alongside the opinion on the financial statements.

Grant claims and returns fee

- 7 The planned fee for grant claims and returns is £125,000.

Assessment and inspection fee

- 8 The fee letter agreed with officers in April showed the total indicative fee for inspection as £49,153. The implication for the inspection fee will be updated when the position has been agreed.

Audit plan

National Fraud Initiative (NFI)

- 9 We presented the work programme and scale of fees for NFI 2010/11 to members on 30 June 2010. The rate for metropolitan borough councils remains at the 2008/09 rate of £4k. The NFI is run over a two-year period, so the scale of fees covers the two financial years 2010/11 and 2011/12. We will bill for these fees in two equal annual instalments.

2009/10 plan

- 10 We issued our initial audit fees letter for 2009/10 to Cabinet on 23 April 2009 and the Audit and Risk Management Committee on 29 June 2009, which set out the work that we proposed to undertake in order to satisfy our responsibilities under the Audit Commission's Code of Audit Practice. The fee for the audit of the financial statements and the value for money conclusion was confirmed in the Annual Audit Letter as £390,000. The planned fee for grant claims and returns is £128,000.
- 11 We are working with officers to reduce the fee for future years. The actions that the Council can take to help to reduce the fee include:
 - Manage and respond to issues and complaints raised within the Council and by members of the public to reduce the issues brought to our attention
 - Manage and mitigate significant audit risks
 - Demonstrate that there is a sound control environment
 - Provide us with complete and materially accurate financial statements and other evidence
 - with good supporting working papers
 - within agreed timeframes.
- 12 We prepared a detailed 2009/10 opinion plan and value for money plan that was discussed with and agreed with officers and presented to the Audit Committee on 24 March 2010. Our Annual Governance Report being presented to members on 28 September 2010 confirmed that the fee remains adequate.

Public interest disclosure act (PIDA) work

- 13 We have continued to carry out work on the PIDA in respect of the Directorate of Adult Social Services (DASS) and we received a further PIDA on procurement. These issues were not anticipated when the fees were originally set and we have previously agreed that we will charge an additional fee when we complete the work.

PIDA DASS

- 14 We are continuing to monitor the Council's actions in dealing with the issues raised and do not at present anticipate any further fee.

- 15 Our report on the PIDA regarding the HESPE was presented to members in September. It notified members that we charged an additional fee of £20,000 for our work.

Opinion

2009/10

- 16** The District Auditor was required to issue an audit report by 30 September 2010 giving his opinion on whether the Council's accounts give a true and fair view of the financial position of the Authority as at 31 March 2010. Our Opinion Plan presented to members in January 2010 set out in more detail the audit work we proposed to carry out in relation to the audit of the financial statements 2009/10 for Wirral Council, including the audit of the Whole of Government Accounts. We also updated the timetable and the table of audit risks in subsequent progress reports.
- 17** There was a separate Opinion plan and progress report in respect of Merseyside Pension Fund's financial statements.
- 18** Our work was split into 3 elements:
- updating and documenting our knowledge of the main financial systems;
 - interim controls testing; and
 - audit of the financial statements.

Knowledge of the main financial systems and controls testing

- 19** We have completed our work on updating our knowledge and documenting the main financial systems. There are no significant issues that we wish to bring to the notice of members other than the risks identified in the plan and updated in our last progress report.

Reliance on internal audit

- 20** We have discussed our respective audit approaches with Internal Audit with the aim of placing reliance on some areas of its work in 2010/11.

Audit of the financial statements

- 21** Our audit of the financial statements approved by members in June 2010 is complete and was reported to the September meeting in the 2009/10 Annual Governance Report (AGR). The District Auditor gave unqualified opinions on the statements of account for Wirral Council and Merseyside Pension Fund on 30 September 2010.
- 22** During the audit we considered the additional risks that are appropriate to the current financial statements audit and set them out in a table in our last progress report. Our findings against these risks are set out in the AGR.

Update to opinion plan

- 23** The tables below update our 2009/10 opinion plan for members. Overall there was some delay although we met the deadline for giving an opinion on the accounts and value for money conclusion by 30 September 2010.

Table 1 Planned outputs

The planned outputs from the opinion audit are set out below.

Planned output	Indicative date	Update and progress
Opinion audit plans	31 December 2009	Completed
Update to opinion audit plans and feedback on interim audits (if appropriate)	March 2010	Update in progress report.
Annual governance reports	30 September 2010	Presented to ARMC 28 September
Auditor's reports giving an opinion on the financial statements	30 September 2010	Opinion given on 30 September 2010

Table 2 Key milestones and deadlines

There was some delay although we gave the opinion on the accounts and value for money conclusion by the deadline of 30 September 2010

Task	Deadline	Update and progress
Agreement of Opinion Plan with officers	Draft by end of November Final by mid December	Completed to plan
Progress meetings - pre statements	Six weekly	Completed to plan
Presentation of Opinion Plan to ARMC Finance to present covering report including explanation of the final accounts process and the roles of the Pensions Committee and Audit and Risk Management Committee	18 January 2010 (papers by 29 December)	Completed to plan
ISA+ 315 knowledge of the entity	January 2010	Completed to plan
Control testing	February 2010	Completed to plan
ARMC consider draft Annual Governance Statement Update of Opinion Plan presented to ARMC	24 March 2010 (papers by 10 March)	AGS considered at ARMC March 2010 Opinion plan updated in progress reports.
ARMC member training (proposed)	May/early June 2010	Continuing

Audit plan

Task	Deadline	Update and progress
Early substantive pre-statements testing	Mid June 2010	Complete
Receipt of pre-audit accounts by ARMC and auditor	14 June 2010	Pre-audit accounts received by ARMC and auditor 25 June 2010
Working papers provided to the auditor	By 30 June 2010	Some received 5 July 2010 and remaining provided throughout the audit
Pensions Committee to challenge accounts and make recommendations to ARMC	Before ARMC meeting (by 30 June 2010)	Pensions Committee meeting held 28 June 2010 as planned
ARMC to challenge and approve accounts, including Annual Governance Statement and Pension Fund Statements. Finance to present pre-audit statement of accounts and covering report	By 30 June 2010 (papers out by 16 June)	ARMC meeting held 30 June 2010 as planned
Start of detailed testing on main statements	30 June 2010	Delayed due to delay in accounts and working papers
Completion of fieldwork on main statements	6 August 2010	Fieldwork completed where we had adequate working papers provided at the start of the audit. Fieldwork completed on PFI on 25 August - delayed due to complexity of issues, eg foundation schools.
Receipt of WGA and working papers	8 July 2010	Received 19 July 2010
Completion of fieldwork on WGA	6 August 2010	Completed 26 August - delayed due to delay in Audit Commission guidance.
Progress meetings - post statements	Weekly	Completed to plan
Agreement of errors and uncertainties for Finance to complete covering reports and amend statements	20 August 2010	Completed to plan - some working papers; decisions regarding amendment and PFI

Task	Deadline	Update and progress
		issues outstanding.
Draft Annual Governance Reports from Audit Commission to officers	3 September 2010	Completed to plan.
Meeting with officers to agree final AGRs (Final AGRs will highlight any outstanding issues that will be updated at meetings with members)	Meetings by 8 September 2010 Final AGRs by 13 September 2010	Met Director of Finance on 7 September - to plan. Ongoing issues at 13 September were highlighted in the reports. Final draft shared with Chair ARMC at meeting 13 September 2010.
Pensions Committee - to consider the Pension Fund AGR and any action plan, any amendments to statements and the Letter of Representation - to make recommendations to ARMC	Before ARMC meeting below (by 30 September 2010) Papers out by 13 September	Meeting 27 September 2010 MPF AGR sent to officers 13 September 2010
ARMC to receive Annual Governance Reports, including any verbal update on outstanding issues (Wirral and MPF) Finance to present covering reports and post-audit statements	By 30 September 2010 Papers out by 13 September 2010	Meeting 28 September 2010. Final published version Wirral Council AGR sent to officers 15 September 2010. Final draft shared with ARMC Chair 13 September 2010.
Final check of post-audit statements	By 30 September 2010	Completed to plan
Issue of opinions by the District Auditor	By 30 September 2010	Completed to plan
Audited accounts published by the Council	By 30 September 2010	Completed to plan
Whole of Government Accounts return submitted	1 October 2010	Completed to plan

Chief Accountants' workshops

- 24** The Audit Commission runs workshops every year for chief accountants to ensure that consistent messages about technical issues are shared with audited bodies. Key finance officers attended the workshop at Warrington on 4 February 2010.

2010/11

International Financial Reporting Standards (IFRS) 2010/11

- 25** 2010/11 is the first year that the accounts need to be prepared in accordance with IFRS. However, councils are required to implement some elements for the 2009/10 accounts and this was reported in the AGR.
- 26** We completed an initial survey of preparedness for IFRS in November 2009 and assessed the Council as 'red' risk overall. This was due to the following:
- The timetable was not in line with Chartered Institute of Public Finance and Accounting (CIPFA) guidance
 - The new asset management system was not being implemented until February 2010 and we had reported material weaknesses in asset records in our 2008/09 audit of accounts
 - The Council had a complex Private Finance Initiative PFI scheme that would need to be considered for inclusion on the balance sheet (this impacted the 2009/10 accounts)
 - Little work had been carried out to consider leases
- 27** We previously assessed group accounts and employee benefits as 'green'.
- 28** We reported to the Audit and Risk Management Committee in September that our updated assessment of the Council was 'amber' overall. We also provided a set of graphs setting out Wirral's progress and issues compared to other councils. We reported that the key risk areas where Wirral Council varies significantly from comparator authorities is:
- leases – Wirral is amongst the 7% of authorities overall that are assessed as red (8% metropolitan boroughs and 5% of northern authorities)
 - Wirral is not 'on track' against the project plan – 69% of authorities overall are 'on track' (67% metropolitan boroughs and 74% of northern authorities). This may also put at risk future milestones such as restating the 2009/10 accounts and drafting a model set of skeleton IFRS compliant financial statements.
 - the Audit and Risk Management Committee has had no involvement on IFRS implementation - 87% of audit committees overall have been kept updated and 49% of those and a further 3% have also questioned officers on progress (87% metropolitan boroughs and 85% of northern authorities).

- 29 The latest Audit Commission report setting out the national findings from the survey is available at [Audit Commission website - IFRS implementation](#). We will be updating the Audit Commission survey in January 2010.

Table 3 IFRS implementation 2010/11

The Council is assessed as 'amber' risk overall

Issue	Findings
Governance and oversight	The role of the Audit and Risk Management Committee in the implementation of IFRS has been limited
Timetable	The Council is not on track against its project plan. An impact assessment has been completed but opening balances have not been restated. Officers plan to restate the 2009/10 accounts and draft a model set of skeleton IFRS compliant financial statements including policies and notes before the end of December 2010
Non-current assets	We assessed the risk as 'amber'. Concerns remain regarding information required in respect of vehicles plant and equipment and infrastructure assets. The systems need to be set up to satisfy component accounting.
Leases and other lease type arrangements	We assessed the risk as 'red'. There has been no review of leases and other lease type arrangements to determine the appropriate accounting treatment for these.
Employee benefits	We assessed the risk as 'amber' Although systems are in place, the 2009/10 accrual for holiday pay has not yet been calculated. A new payroll and HR system is planned.
Group accounts	We assessed the risk as 'green'. The Council does not currently have any arrangements that would require it to produce group accounts.

Audit Commission survey 30 July 2010

Changes to International Standards on Auditing

- 30** The audit of the financial statements is governed by a framework established by International Standards on Auditing (ISAs). As with all guidance and frameworks, auditing standards are frequently revised and updated, often in a piecemeal fashion. However, in 2009 the auditing professional completed a comprehensive project to enhance the clarity of all the ISAs. This is known as the Clarity Project.
- 31** One of the main objectives of the Clarity Project was to promote greater consistency of application between auditors. This has been done by reducing the ambiguity within existing ISAs and improving their overall readability and understandability.
- 32** The new clarified framework will apply to the audit of your 2010/11 financial statements. Because of the new standards, you can expect to see some changes in the way the audit team delivers your audit and the information they request from you.
- 33** In summary the main changes you will see relate to:
- **Journals:** ISA (UK&I) 330 (The Auditor's response to assessed risks), requires us to review all material year-end adjustment journals. We can do this by using interrogation tools such as CAATs (Computer aided audit techniques), IDea software or excel, depending on the compatibility of your general ledger software. We will discuss a suitable approach to this work soon.
 - **Related Party Transactions;** ISA (UK&I) 550 (Related parties) requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also review minutes and correspondence for evidence of related party transactions and carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.
 - **Accounting Estimates;** ISA (UK&I) 540 (Auditing Accounting Estimates, Including Fair Value Accounting Estimates, And Related Disclosures) requires us to look at your accounting estimates in detail. As part of the audit we will request a list of these from you. We will need to know in particular:
 - the process you use to make your accounting estimates;
 - the controls you use to identify them;
 - whether you use an expert to assist you in making the accounting estimates;
 - whether any alternative estimates have been discussed and why they have been rejected;
 - how you assess the degree of estimation uncertainty (this is the level of uncertainty arising because the estimate cannot be precise or exact) ; and
 - the prior year's accounting estimates outcomes, and whether there has been a change in the method of calculation for the current year.
 - **Reporting deficiencies in internal control:** ISA (UK&I) 265 (Communicating Deficiencies In Internal Control To Those Charged With Governance And Management) is a new standard. If we identify a deficiency in any of your internal

controls during the audit, we will undertake further audit testing to decide whether the deficiency is significant. If the deficiency is significant, we will report it in writing to the Audit and Risk Management Committee as those charged with governance.

- 34 Our work documenting and testing systems and processes is about to commence.

Value for money conclusion

2009/10

- 35** We agreed a value for money conclusion plan with officers and presented it to the Audit Committee in January 2010. We have updated the timetable below to show progress to date and changes to our original plan.
- 36** Every year the Audit Commission applies a proportionate approach to the work and determined that we would not be doing any work on one of the criteria at any councils in 2009/10 - natural resources - and will carry forward the assessment of 'yes' on that criteria from 2008/09. This was the first year that we assessed whether the Council plans, organises and develops its workforce effectively to support the achievement of its strategic objectives.
- 37** We substantially completed our work on the assessment for the value for money conclusion 2009/10 in April 2010. We met with the Director of finance on 20 April 2010 to discuss preliminary feedback and reported the outcome in our Annual Governance Report to the Audit Committee and Risk Management Committee on 28 September 2010. We will also report any significant findings in the annual audit letter but will not be reporting a score for the use of resources.
- 38** The District Auditor gave an unqualified value for money conclusion confirming that the Council has satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

Risk based reviews

- 39** As part of our work to inform the value for money conclusion we completed reviews the following
- Performance management. The final report was presented to members at the Audit Committee and Risk Management Committee on 30 June 2010
 - Managing attendance. The final report was presented to members at the Audit Committee and Risk Management Committee on 28 September 2010.

Update to value for money conclusion plan

- 40** The value for money conclusion plan progressed to targets. Members should note the impact of the abolition of CAA on our reporting.

Table 4 Update to and progress on value for money timetable

The timetable has been updated for actions completed and changes to the plan. Members should note the impact of the abolition of CAA on our reporting.

Date	Original activity/milestone	Update and progress
November 2009	Draft plan to Council	Completed to plan

Value for money conclusion

December 2009	Agree plan with Lead Director	Completed to plan
Mid December 2009	Audit Commission national report 2008/09 including scores and examples of strong performance and outcomes to support learning for the 2009/10 assessment	Completed to plan
November - March 2010	Fieldwork	Completed to plan
January 2010	VFM profile tools available from the Audit Commission	Slight delay but now complete
January 2010	Plan to the Audit & Risk Management Committee	Completed to plan
March 2010	Cheshire/Mersey local quality assurance	Completed to plan
Early April	Interim feedback to Lead Director	Completed 20 April 2010
21 April 2010	Indicative scores submitted by audit team to Audit Commission	Completed to plan
10 - 21 May 2010	Audit team area QA and internal challenge	Completed to plan
May 2010	Issue and agree draft managing attendance report. Finalise report by the end of May 2010.	Partially complete by May 2010. Report discussed and final agreed subject to completion of action plan. Presented to ARMC 28 September 2010.
June/July 2010	Consideration of final evidence of outcomes and agreement of draft value for money conclusion	Completed to plan
30 July 2010	Final scores submitted to Audit Commission	CAA abolished and we will not be scoring UoR
2 - 27 August 2010	National quality assurance process	Cancelled
End August 2010	Agreement of final value for money conclusion and scored UoR judgements	Agreement of final value for money conclusion in progress. We will not be scoring UoR
Early September	Draft Annual Governance Report to officers	Sent 3 September 2010 as planned

Value for money conclusion

Mid September	Final Annual Governance Report to members	Required 13 September 2010. Final draft shared with ARMC Chair 13 September 2010. Final published version sent to officers 15 September 2010.
Late September 2010	Audit & Risk Management Committee (papers out 2 weeks before)	Now confirmed as 28 September 2010
October/November 2010	Draft organisational assessment report shared with the Council	CAA abolished - work on organisational assessment has stopped
Late November 2010	Final organisational assessments reported as part of CAA reporting. Issue annual audit letter.	CAA abolished so no reporting. Annual audit letter as planned.

2010/11

- 41** Given the scale of pressures facing public bodies in the current economic climate, the Audit Commission has been reviewing its work programme for 2010/11 onwards. This review has included discussions with key stakeholders of possible options for a new approach to local value for money (VFM) audit work. The Commission aims to introduce a new, more targeted and better value approach to our local VFM audit work.
- 42** The VFM conclusion for 2010/11 will be based on a reduced number reporting criteria, specified by the Commission, concentrating on:
- securing financial resilience; and
 - prioritising resources within tighter budgets.

PIDA work

- 43 Work on two PIDA disclosures in respect of adult social services and the Highways and Engineering Services Procurement Exercise (HESPE) continues.

Adult social services

- 44 We are continuing to monitor the Council's progress in responding to our 2007/08 report: *Adult Social Services - Follow up of PIDA Disclosure* which was considered by the Audit and Risk Management Committee in September 2008.
- 45 A key issue was in respect of the charging policy applied at three supported living units. Following a number of reports by Internal Audit, the Audit and Risk Management Committee has recommended to Cabinet that users at these units should have been charged at lower rates and should be reimbursed back to December 2000 for the amounts overcharged. We have confirmed that this is reflected in the statement of accounts.
- 46 Cabinet has commissioned an independent investigation into the whistleblower's allegations of bullying and harassment. The Leader of the Council has also commissioned an independent review to confirm that all issues raised by the whistleblower have been appropriately dealt with.
- 47 The Director of Adult Social Services has reported to members on progress against the original action plan in our PIDA report. The Council is taking forward the actions and we will continue to review and monitor the actions as part of our on-going work with the Council. Our review and subsequent reviews by the Council have confirmed the whistleblowers concerns around charging, financial control, compliance with policies and procedures and governance between 1997 and 2006.

Procurement of highways and engineering services

- 48 During 2008/09 we received a PIDA disclosure in respect of the process for awarding the Highways and Engineering Services Procurement Exercise (HESPE) contract. The report was presented to members at the Audit Committee and Risk Management Committee on 28 September 2010. The Council is currently responding to the recommendations and preparing the action plan.

National Fraud Initiative

2008/09 - 2009/10

- 49** The National Fraud Initiative (NFI) is the UK-wide antifraud programme developed by the Audit Commission. A data matching exercise is carried out comparing information held by and between around 1,300 organisations including councils, the police, hospitals and nearly 100 private companies. This helps to identify potentially fraudulent claims, errors and overpayments. Where matches are identified these are presented to the organisations to investigate. For example, when data matching shows a person listed as deceased and also in receipt of a pension, the Council will investigate and, if appropriate, stop pension payments. The Audit Commission fee to the Council is £4k over two years for this exercise.
- 50** The exercise is carried out every two years with the last exercise being carried out in 2008/09. The Council has continued reviewing the output from the 2008/09 NFI matching exercise in 2009/10. Internal audit co-ordinates the follow-up of matches, which is undertaken by the responsible department. The Council has made good progress on reviewing and investigating the matches with the exception of:
- Council Tax - started to investigate the matches identified within the department
 - Accounts Payable - not yet reviewed creditor matches. At least £55,495 of creditors errors/frauds were identified from the 2006/07 NFI exercise.
- 51** As at June 2010 the Council had identified the potential errors and frauds in the Council as £1,852,390 (this includes late savings from NFI 2006/07 and forward savings on overpayments). This is likely to increase when creditors and council tax matches are investigated. The table below quantifies these errors and frauds.

Table 5 NFI 2008/09 matches for Wirral Council

Type of match	Errors/frauds identified	Example of match/ comments
Housing benefit	£140,506	HB claimant to student loan or to payroll at the Council
Additional Housing Benefit Investigations	£9,600	Administrative penalties and official cautions
Pensions plus forward savings	£74,905 £1,512,088	Pension gratuity to Department for Work and Pensions deceased
Payroll and other	£2,200	Wirral Council payroll to other

Type of match	Errors/frauds identified	Example of match/ comments
investigations		organisations' payrolls or UK visa
Overpayments relating to ad-hoc areas	£47,759	Private home care residents to continuing care payments
Late savings from 06/07	£65,332	

Source: Audit Commission, 6 June 2010.

52 At the end of October the Council has identified that as a result of investigating the 2008/09 matches:

- 28 frauds have been detected with a value of over £55k
- 296 errors have been detected with a value of over £200k
- The Council is in the process of recovering £256k and has stopped future payments where applicable.

53 The national report on NFI 2008/09 was published in May 2010 and is available at [Audit Commission website -NFI 2008/09](#).

Grant claims and returns

2009/10

- 54** The 2008/09 grant claims and returns report was presented to the March 2010 meeting of the Audit and Risk Management Committee. The 2009/10 programme and it is progressing to schedule. Two claims are currently still in progress and seven claims have been completed. Of the seven completed claims, all Council and audit deadlines were met, we amended three claims and qualified three claims:
- Housing and Council Tax Benefits Scheme - received from the Council 30 May 2010 (deadline 31 May 2010). We are carrying out early testing and are progressing well on this. Audit deadline 30 November 2010.
 - National non-domestic rates grant - received from the Council 18 June 2010 (deadline 25 June 2010). Audit deadline 25 September 2010. Now complete - Council and audit deadlines met; no amendment or qualification.
 - Teachers' pensions return - received from the Council by 30 June 2010. Audit deadline 30 November 2010. In progress.
 - Disabled facilities grant - received from the Council 29 June 2010 (deadline 30 June 2010). Audit deadline 30 September 2010. Now complete - Council and audit deadlines met; no amendment or qualification.
 - Single programme grants - 4 grant claims received from the Council by Council 30 June 2010. Audit deadline 30 September 2010. All complete - all Council and audit deadlines met; three claims amended and two claims qualified.
 - General Sure Start grant - received from the Council 21 July 2010 (deadline 31 July 2010). Audit deadline 31 October 2010. Now complete - Council and audit deadlines met; no amendment; qualified certificate.
- 55** We are on course to complete the outstanding claims by the deadline of 30 November 2010. The claims and returns report for 2009/10 will be presented to the January 2011 meeting of the Audit and Risk Management Committee.

Annual Audit Letter

2008/09 - key findings

56 The Annual Audit Letter, presented to the Audit Committee meeting in March 2010 reported the outcome of the 2008/09 audit programme:

- Wirral Council Opinion and Value for Money Conclusion - unqualified opinion and value for money conclusion given 30 September 2009;
- Merseyside Pension Fund Opinion - unqualified opinion given 30 September 2010
- use of resources assessment - scored 2 for all criteria (performing adequately).

57 The reports completed to support our findings and dates of issue are shown below. All reports are presented to the Audit and Risk management Committee and copies can be obtained from the Council. Internal Audit follows up progress on the action plans.

- Annual Governance Report 2008/09 - Wirral Council, September 2009
- Annual Governance Report 2008/09 - Merseyside Pension Fund, September 2009
- Auditor's report 2008/09 containing opinion on Wirral Council's accounts and value for money conclusion, 30 September 2009
- Auditor's report 2008/09 containing opinion on Merseyside Pension Fund's accounts, 30 September 2009
- Improvement through better financial management 2008/09, September 2009
- Governance of partnerships 2008/09, June 2009
- Ethical governance diagnostic 2008/09, June 2009
- Triennial review of Internal Audit 2008/09, December 2009
- Data quality spot checks 2008/09, December 2009
- Performance management interim report 2008/09, August 2009
- Community cohesion 2008/09, September 2009
- Procurement and commissioning 2008/09, November 2009
- Grant claims and returns (2007/08 programme), December 2009
- Annual audit letter 2008/09, December 2009
- Grant claims and returns 2008/09, March 2010

2009/10

- 58** Our Annual Audit Letter, summarising the key issues for the year, will be agreed by the end of November and presented to a subsequent Cabinet meeting and the Audit and Risk Management Committee in January.

The audit team and key contacts

- 59** The key members of the audit team for the 2009/10 audit have not changed from that set out in our opinion and value for money plans. The current team is shown in the table below.
- 60** I can confirm that the audit is being carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence and there are no conflicts to report to members.

Table 6 Audit team

Name	Contact details	Responsibilities
Mike Thomas District Auditor	m-thomas@audit-commission.gov.uk 0844 7987043 or 07879 667712	Overall delivery and reporting of the audits of the Council and Merseyside Pension Fund including quality and outputs. Signing the opinion, conclusion and certificate. Liaison with councillors, the Chief Executive and corporate and service directors
Liz Temple-Murray Audit Manager	l-temple-murray@audit-commission.gov.uk 0151 666 3483 or 07769 887358	Manages, quality assures and coordinates the different elements of the audit work on Wirral Council (including liaison with the Pension Fund Audit Manager). Key point of contact for the Director of Finance, Head of Finance, Head of Pensions and Chair of the Audit and Risk Management Committee. Annual Governance Report for Wirral Council.
Caroline Davies Audit Manager	caroline-davies@audit-commission.gov.uk 0151 666 3481	Supports the Audit Manager on Wirral Council. Manages, quality assures and coordinates the different elements of the audit work on Merseyside Pension Fund. Key point of contact for the Head of Pensions, the Financial Controller and the Chair of the Pensions Committee.

The audit team and key contacts

Name	Contact details	Responsibilities
		Annual Governance Report for Merseyside Pension Fund.
Rob Metcalf Audit Team Leader	r-metcalf@audit-commission.gov.uk 0151 666 3484	Leads fieldwork and audit team on opinion and value for money conclusion work. Key point of contact for and liaison with the Head of Finance and the Chief Accountants.
Dave Wilson Performance Manager	da-wilson@audit-commission.gov.uk 0844 7987333 or 0774 8930598	Managed, quality assured and coordinated some elements of the audit work on the value for money conclusion
Kath Johnson Phil Kuehnle and Tony Whitehead Performance Specialists	ka-johnson@audit-commission.gov.uk 0844 7983579 p-kuehnle@audit-commission.gov.uk 0844 798 3663 t-whitehead@audit-commission.gov.uk 0151 666 3509	Completed audit work on the value for money conclusion. Kath Johnson carried out the fieldwork on the Managing Attendance review. Tony Whitehead carried out the fieldwork on the HESPE PIDA.

61 Wirral Council key officer contacts for the audit are set out in the table below.

Table 7 Wirral Council key officer contacts

Key officers of the Wirral Council team

Name	Contact details	Responsibilities
Jim Wilkie Acting Chief Executive	jimwilkie@wirral.gov.uk 0151 691 8589	Accountable Officer Governance framework and signing the Annual Governance Statement.
Ian Coleman Director of Finance	iancoleman@wirral.gov.uk 0151 666 3056	Section 151 Officer Preparation and certification of accounts that present fairly the financial position of Wirral Council at 31 March 2010. Preparation and certification of accounts that present fairly the

The audit team and key contacts

Name	Contact details	Responsibilities
		financial position of Merseyside Pension Fund at 31 March 2010. Agreement of final AGRs. Lead officer for the value for money conclusion.
Bill Norman Director of Law, Asset Management and HR	billnorman@wirral.gov.uk 0151 691 8498	Monitoring Officer Considering the legality of transactions.
Tom Sault Head of Financial Services	tomsault@wirral.gov.uk 0151 666 3407	Preparation and quality assurance of Wirral Council's accounts. Agreement of draft AGR for Wirral Council. Key contact for the value for money conclusion.
Jenny Spick Chief Accountant - Operations	jennyspick@wirral.gov.uk 0151 666 3582	Preparation of accounts and coordination and liaison during the audit.
Dave Garry Chief Internal Auditor	davegarry@wirral.gov.uk 0151 666 3387	Review of and assurance on risk management, corporate governance and financial control.

Wirral Council

62 Wirral Council key member contacts for the audit are set out below:

Table 8 Wirral Council key member contacts

Key members involved in the audit have changed with the new administration

Name	Contact details	Responsibilities
Councillor Jeff Green Council Leader	jeffgreen@wirral.gov.uk	Governance framework and signing the Annual Governance Statement
Councillor Simon Mountney Chair of the ARMC	simonmountney@wirral.gov.uk	Considers, approves and signs the accounts on behalf of the Council

Wirral Council

The audit team and key contacts

63 In addition, all members of the Audit & Risk Management Committee are responsible for:

- Considering both the Council's and Merseyside Pension Fund's (MPF's) statements of accounts prior to approval by 30 June. This includes the Annual Governance Statement in the Council's accounts,
- The responsibilities of the Council under section 151 of the Local Government Act 1972 to make proper provision for its financial affairs.

64 At the meeting in September members' role is to consider the post audit financial statements for the Council and MPF and our Annual Governance Reports (AGRs) which set out the key issues that you should consider before we complete the audits. Members are be required to:

- consider the matters raised in the AGRs before approving the financial statements
- take note of any adjustments to the financial statements set out in the reports
- agree to adjust any errors in the financial statements which management has declined to amend or set out the reasons for not amending the errors
- approve the letters of representation on behalf of the Council before the District Auditor issues his opinions and value for money conclusion; and
- agree the Council's response to the proposed action plans

Members' resources

Audit Commission information for members

- 65** The Audit Commission has developed councillor update newsletters which are available on the website. These online resources have been developed to meet the needs of members of councils. It is hoped that they will assist you in fulfilling your challenging role. These newsletters are aimed specifically at councillors and are available at the following <http://www.audit-commission.gov.uk/localgov/nationalstudies/pages/default.aspx> .

Upcoming reports

- 66** The following are the studies that the Audit Commission is currently proposing:
- Local government workforce: What are the most effective means for councils to achieve savings from the pay bill while protecting the quality of services? This study will explore how councils can do this, including how they address working patterns, staffing tiers and numbers, rates of pay, and reward packages. It will identify barriers to achieving savings and their solutions as well as highlight innovative approaches to configuring workforces in response to financial cutbacks.
 - Managing with less (Autumn 2010): This research project aims to help councils respond to the challenges of public spending reductions. It examines the approaches taken by local councils in responding to the need to make savings and to managing with less, and at how and why decisions are made. There will be a particular focus on the data and information used; the involvement of members and partners; and the balance between short, medium and longer term planning
 - Review and challenge in councils (Spring 2011): Councils need to have effective means for reviewing and challenging their major activities, priorities and risks. This project will research how this can be done effectively and efficiently. Research will identify the principles that best underpin review and challenge in councils. These principles will provide the basis for a series of questions to help those responsible for council governance assess their review and challenge arrangements.
 - Road maintenance (Spring 2011): What works in road maintenance, in the context of a tough funding environment? This study will help councils make difficult decisions on road maintenance spending priorities through four key areas:
 - the strategic use of asset management
 - decision-making and prioritisation
 - potential savings from procurement arrangements
 - effective partnership working
 - Schools workforce management (Spring 2011): Our 2009 report, 'Valuable lessons', set out savings that could be made by schools through better balance

Members' resources

management and more effective procurement. This study will focus on how schools, working with local authorities, can maintain or improve the value for money of their workforce deployment

- Improving value for money in adult social care (Summer 2011): The aim of this research is to help councils and their health partners achieve better value for money in the commissioning and delivery of adult social care

Published reports:

Latest releases



- **Financial management of personal budgets;** Challenges and opportunities for councils. Published 28 October 2010. This report examines personal budgets in adult social care and considers the financial management and governance implications for councils. It reviews the approaches to transition from providing services to providing personal budgets, the choices for allocating money, and how councils can plan for the financial implications. It also considers changes in social care commissioning and the governance arrangements needed for personal budgets. It is aimed at finance staff and staff in adult social care departments interested in personal budgets. The report includes a self-assessment checklist to help councils review progress in implementing personal budgets and identify areas for improvement.



- **Protecting the public purse;** Fighting fraud against local government and local taxpayers. Published 27 October 2010. we describe what has happened in the field of fraud detection and prevention since 2009 and set out the findings from our recent fraud survey. Last year England's councils detected around £99 million worth of benefit fraud, over £15 million worth of council tax fraud, and £21 million worth of other types of fraud including false insurance claims, and abuse of the disabled parking 'blue badge' scheme. In addition nearly 1,600 homes have been recovered by councils with a replacement cost of approximately £240 million. We also describe the action taken by some councils to tackle fraud and provide links to tools to help councils improve their counter-fraud defences. Our updated checklist gives organisations providing public services another opportunity to consider how effective they are at responding to the risk of fraud. Also available is a [single person discount comparator tool](#) that allows local authorities to compare their levels of council tax single person discount with their predicted levels, based on a national average.



- Finance improvement tool.** Published 16 September 2010. Following our 'Under Pressure' study (February 2010), we have developed a finance improvement tool to help councils respond to the financial challenges of an ageing population and identify scope for improvement.



- Strategic financial management in councils,** 8 September 2010. Delivering services with a reduced income. In our latest report, we reveal how organisations that manage their finances strategically are more adaptable and resilient when money is tight, and how other councils can learn from them. Councils need to make some urgent and tough decisions. 'Strategic financial management in councils' is aimed at all council staff, especially those who hold the purse strings of local government. In it, we point out potential financial pitfalls, highlight successes, and feature a value for money self-assessment questionnaire that can be used locally. The findings in the report are supported by a good-practice checklist that describes the key issues for improving financial management. Councillors and managers can use the checklist to evaluate their current approach to financial management.



- Local government pensions in England** - an information paper - 29 July 2010. In our latest information paper, we examine the long-term affordability of the Local Government Pension Scheme, and look at steps that could be taken to put it on a better financial footing.
- Local government claims and returns,** 27 July 2010. The level of amendments and the number of qualification letters issued by auditors in 2008/09 shows some authorities can improve their preparation of claims and returns. The first Audit Commission annual report on certification work, published on Thursday 29 July, shows that in 2008/09 Audit Commission auditors certified claims and returns from local authorities for schemes covering £45.6 billion of public money. Auditors agreed amendments to claims and returns totalling £54.5 million. Eight schemes had total amendments over £1 million and auditors qualified 673 (24 per cent) claims and returns. For the housing and council tax benefits scheme, 85 per cent of benefits claims had qualifications or amendments or both. Certification of 2008/09 claims and returns cost local authorities £18.7 million which is 0.04 per

cent of the total value certified. [Local government claims and returns: The Audit Commission's report on certification work 2008/09 \(July 2010\) \(AC external website\)](#)



- **Against the odds. Re-engaging young people in education, employment or training** - 7 July 2010. We reveal how councils need a new approach in getting to grips with the needs of their local teens, in order to make scarce resources work harder for those at greatest risk of long-term unemployment.



- **A review of collaborative procurement across the public sector**, 21 May 2010. The National Audit Office and the Audit Commission have jointly produced this review. It draws on Audit Commission research in local government, carried out during the autumn of 2009. The review finds that although collaborative procurement has the potential to improve value for money, the public sector procurement landscape is fragmented, with no overall governance. Consequently, public bodies are incurring unnecessary administration costs by duplicating procurement activity, and they are paying a wide range of prices for the same commodities, even within existing collaborative arrangements. It recommends that, given the size of public sector procurement spend and the potential to significantly improve value for money, public bodies should work together much more effectively than they currently do. And there should be a clear framework to coordinate public sector procurement activity.

- **Countdown to IFRS - Identifying and accounting for leases**, 17 March 2010. Councillors have a part to play in preparing for International Financial Reporting Standards (IFRS), especially those on finance and audit committees. Alongside a general briefing on IFRS, the Commission published a checklist for members with finance responsibilities. See below.



- **By mutual agreement**, 16 March 2010. Severance deals serve councils and the taxpayer. But our research shows that not all pay-offs are justified. Competent chief executives sometimes lose their jobs needlessly, and less effective individuals have been paid-off rather than dismissed.



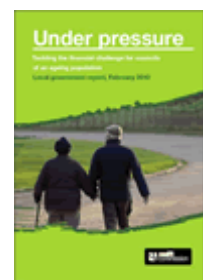
- Healthy balance**, 11 March 2010. Does your ward have a high number of teenage pregnancies, or is there growth in childhood obesity? This briefing says the NHS allocated £21 billion in 2009/10 on the basis of inequalities in health between areas. The impact of the spending is unclear.



- The truth is out there**: A discussion paper, 5 March 2010. Information is essential: it helps you make better decisions. Making more and better information available to the public should help them evaluate the decisions their elected representatives are making, what public money is spent on and with what result. This discussion paper looks at how councils and health trusts, social workers, doctors and police can improve data and analysis made available to the public.



- Under pressure: Tackling the financial challenge for councils of an ageing population**, 18 February 2010. Councils need to understand the nature and needs of residents who are ageing. The report stresses growth in the number of older citizens affects all services. We need better working across boundaries.



- Giving children a healthy start: A review of health improvements in children from birth to five years**, 3 February 2010. Have the large sums spent on young children from 1999 to 2009 improved their health? The study examines local service planning and delivery, and how councils and primary care trusts can improve services and access for vulnerable groups, lone and teenage parents and black and minority ethnic communities.



International Financial Reporting Standards (IFRS)

67 We have listed the IFRS reports and briefings available on the Audit commission website for management and members.

Countdown to IFRS - a checklist for members, 17 March 2010

68 This report is included in the list above and is brought to members' attention as it is a fundamental change in financial reporting. From 2010/11 local government will be required to prepare accounts in accordance with international accounting standards (IFRS). A failure to achieve successful transition to IFRS would cause significant reputational damage not only to individual authorities but to the local government sector as a whole.

69 Poor preparation will heighten the risk that accounts will not meet requirements and so attract a qualified auditor's opinion or be published late. At a practical level, there is a risk that avoidable additional costs will be incurred if the implementation timetable is not well managed or is allowed to slip. The transition process is a real test of self regulation by local government.

70 The audit committee (or its equivalent) needs to be sufficiently aware of the requirements of IFRS to ensure the transition project is on track. In order to help members discuss their IFRS transition plan with relevant officers we have set out a number of suggested questions in a checklist available at the following link: [IFRS member checklist](#)

Complete list of resources

- [IFRS: reporting on operating segments](#) → 29 October 2010. Our latest briefing on the countdown to IFRS covers principles and practical issues that authorities should consider when reporting on operating segments.
- [International Financial Reporting Standards: Progress on the transition to IFRS](#) → 5 October 2010. The deadline for local authorities to produce IFRS-compliant accounts is fast approaching. Successful implementation of IFRS will testify to the ability of local government to manage a major change in its financial arrangements. The paper draws on a survey completed in July 2010 by auditors of all local authorities, fire and rescue authorities, and police authorities, on local government's progress on transition to IFRS. In this paper we:
 - make comparisons with a baseline assessment taken in November 2009;
 - set out relevant lessons from the NHS experience of transition, as NHS bodies have implemented IFRS a year earlier than local government; and
 - outline the key actions that authorities should be taking at this stage
- [Countdown to IFRS: Accounting for employee benefits - 15 July 2010](#)
Issues authorities may face when accounting for employee benefits.
- [Countdown to IFRS: Managing the practical implications of restating non-current assets - 17 June 2010](#)
Guidance on managing the practical implications of restating non-current assets.

- [Countdown to IFRS: Summary paper - 8 June 2010](#)
A guide for senior managers and members.
- [Countdown to IFRS: Accounting for non-current assets - 17 May 2010](#)
Introducing international financial reporting standards (IFRS) for Accounting for non-current assets.
- [Countdown to IFRS - Checklist for councillors - 17 March 2010](#)
Councillors checklist - discussing IFRS transition plans with officers.
- [Countdown to IFRS - Identifying and accounting for leases - 17 March 2010](#)
Issues arising from the introduction of International Accounting Standard (IAS) 17: Leases.
- [Countdown to International Financial Reporting Standards \(IFRS\) - 19 February 2010](#)
Implementation of IFRS in local government.
- [IFRS briefing paper 3 for local government - 4 May 2009](#)
Managing the transition to IFRS.
- [IFRS briefing paper 2 for local government - 1 September 2007](#)
The move to international financial reporting standards - how can your auditor help?
- [IFRS briefing paper 1 for local government - 1 May 2007](#)
The move to international financial reporting standards.

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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