

Annual Audit Letter

Wirral Council

Audit 2009/10

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

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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.

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Key messages

This report summarises my findings from the 2009/10 audit. My audit comprises two elements:

- **the audit of your financial statements (pages 4 to 6); and**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 7 to 12).**

Audit opinion and financial statements

1 I gave an unqualified opinion on Wirral Council's 2009/10 financial statements by the statutory deadline. I gave an unqualified opinion on Merseyside Pension Fund's 2009/10 financial statements by the statutory deadline. I have also given an unqualified opinion on the Whole of Government Accounts consolidation pack on 1 October 2010.

Value for money

2 I 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.

Audit fees

I can confirm that our actual fees (£390,000) are in line with our proposed fees as agreed with the Audit and Risk Management Committee at its meeting in June 2009. I charged an additional £20,000 for work carried out to deal with an issue under the Public Interest Disclosure Act (PIDA) in relation to the Highways and Engineering Services Procurement Exercise (HESPE).

Current and future challenges

3 The coalition Government has set in motion fast moving and far reaching cuts in public finances to reduce public borrowing from a peak of over £160bn to £37bn in the next four years. Although the full impact will not be known until the announcement of the Local Government Finance Settlement in December, Wirral Council is currently projecting a budget shortfall of £116m over that period.

4 The Council has a number of corporate and service pressures that will make the achievement of savings challenging including:

- Delivery of savings from the change programme.
 - Prioritisation of the outcomes from the consultation process and consideration of the options put forward by the Task Forces into a cohesive budget strategy.
 - Maintaining service quality and capacity following the severance and early voluntary retirement exercise.
 - Responding to the improvement agenda, highlighted by the Care Quality Commission, in adult social services whilst keeping within the budget and implementing personal social care budgets.
 - Responding to potentially reduced future government funding as a result of the reduced population figures for Wirral.
- 5 The next few months will be a defining period for the Council as it strives to maintain continuity of services against this difficult back drop, implementing massive cost reductions whilst ensuring vulnerable groups are not subject to disadvantage or multiple impacts.

Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds. I gave an unqualified opinion on the Council's 2009/10 financial statements, Merseyside Pension Funds financial statements and the Whole of Government Accounts consolidation pack for the Council, within the statutory target dates.

Overall conclusion from the audit

6 I gave an unqualified opinion on the Council's financial statements on 30 September 2010 in line with the statutory target date. In addition I gave an unqualified opinion on the Whole of Government Accounts consolidation pack within the target date. The financial statements were submitted for audit on 25th June 2010 and were generally supported by satisfactory working papers prepared by finance and departmental staff.

7 My work identified three material accounting issues and two issues of a governance and internal control nature in respect of:

- The assets relating to a number of schools built under the PFI initiative should have been, in my opinion, excluded from the Council's balance sheet. Management agreed to remove the value of the assets for these schools (£47.948m) from the balance sheet.
- The 2008/09 Statement of Total Recognised Gains and Losses (STRGL) had been restated by way of a prior period adjustment (PPA) in respect of the Private Finance Initiative (PFI) agreement. The effects of the changes were incorrectly represented in the STRGL and this meant that £44.751m losses were incorrectly recognised in the STRGL for 2008/09. Management adjusted for this.
- Authorities should be able to demonstrate that the balances on the Government Grants Deferred Account (GGD) properly match the assets they are intended to finance. As a result of the audit the Council carried out an analysis to match assets to the GGD balance and derecognised those assets that did not match. The impact of this was an amendment to the accounts as a prior period adjustment of £75.478m.

- I had some concerns regarding the content of the Annual Governance Statement. Management agreed to amend the statement to acknowledge significant governance issues and clarify the conclusion.
- A number of weaknesses in relation to the adequacy of asset records remained for most of 2009-10 although I acknowledged that significant improvement had taken place with the introduction of the new asset register in February 2010.

8 Overall I identified 19 non-trivial errors or uncertainties. In addition to the 3 material accounting errors above, there were also 16 non-material errors, 6 of which related to the accounting for PFI schemes. In 2009-10 the PFI schemes were subject to new financial reporting standards as part of the early implementation of International Financial Reporting Standards (IFRS).

9 The statement of accounts included Merseyside Pension Fund's accounts as Wirral Council is the administering authority for the Fund. The Pensions Committee and Audit and Risk Management Committee received a separate Annual Governance Report and considered the issues arising, including 2 material amendments.

Significant weaknesses in internal control

- 10** We made two high priority recommendations in respect of:
- the operation of internal controls within departments, in finance and with the Valuer around fixed assets; and
 - the scope of the governance issues arising in the year and how these were reflected in the Annual Governance Statement.

International Financial Reporting Standards (IFRS)

11 2010/11 is the first year that the accounts need to be prepared in accordance with IFRS. However, councils were required to implement some elements for the 2009/10 accounts and this is reported above.

12 I completed an initial survey of preparedness for IFRS in November 2009 and assessed the Council as 'red' risk overall. I updated the survey in July 2010 and assessed the Council as 'amber' overall. This was reported to the Audit and Risk Management committee in September 2010.

13 The key risk areas where Wirral Council varied significantly from comparator authorities is:

- Leases – Wirral still has a great deal of work to analyse its leases and other lease type arrangements;
- Wirral is not 'on track' against its own project plan. This may 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.

Officers will report the latest position to the November 2010 meeting of the Audit and Risk Management Committee. Officers expect to produce the restated 2009/10 balance sheet by the end of December 2010. I plan to

complete an early review of the re-stated balances, operating costs and notes to confirm they are in line with the guidance.

National Fraud Initiative

14 The National Fraud Initiative (NFI) is the UK-wide anti-fraud programme developed by the Audit Commission. A data matching exercise is carried out every two years 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.

15 Where matches are identified these are presented to the Council 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.

16 The Council has made good progress on reviewing and investigating the matches for 2008/09 with the exception of:

- Council Tax - started to investigate some of the matches identified within the department; and
- Accounts Payable - not yet reviewed creditors matches. At least £55,495 of creditors savings were identified from the previous NFI exercise.

17 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.

18 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.

Value for money

I considered whether the Council is managing and using its money, time and people to deliver value for money.

I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

2009/10 use of resources assessments

19 At the end of May 2010, the Commission wrote to all chief executives to inform them that following the government's announcement, work on the Comprehensive Area Assessment (CAA) would cease with immediate effect and the Commission would no longer issue scores for its use of resources assessments.

20 However, I am still required by the Code of Audit Practice to issue a value for money conclusion. I have therefore used the results of the work completed on the use of resources assessment up to the end of May to inform my 2009/10 conclusion.

21 I report the significant findings from the work I have carried out to support the VFM conclusion.

VFM conclusion

22 I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year, which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body.

23 The table below shows a summary of my findings for arrangements in 2009/10.

Table 1: **Value for money conclusion**

In 2009/10 the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources

Criteria	Adequate arrangements?
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial Reporting	Yes
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
Managing resources	
Natural Resources	Yes
Strategic asset management	Yes
Workforce	Yes

24 I issued an unqualified conclusion stating that the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

Managing finances

Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?

25 The Council managed its finances effectively to deliver value for money. Financial, strategic and service planning were well integrated and underpinned the delivery of the strategic priorities of the Council. There was also good partnership working and engagement with users and stakeholders. Financial management during 2009/10 was sound and the Council delivered significant savings in excess of target with a balanced budget being set for 2010/11 in spite of significant funding challenges.

Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?

26 There was good evidence of the Council using benchmarking which improved its understanding of costs and the link to performance. It used benchmarking and costing information to contribute to better decision making and achieved financial savings on, for example, the review of care homes. The Council delivered significant savings in excess of target.

Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?

27 The Council produced relevant, timely and reliable financial monitoring and forecasting information and used financial and related performance information to monitor performance during the year. Financial reports were clear and presented in a combined financial and performance report to members on a quarterly basis. The Council's 2009/10 accounts complied with statutory requirements, regulatory timetables, and relevant accounting and reporting standards and an unqualified opinion was given although there were a number of material and significant errors.

28 The implementation of IFRS for 2009/10 in respect of PFI has been satisfactory. However, we identified some risk areas which could impact on the successful implementation of full IFRS accounting in 2010/11.

Governing the business

Does the organisation commission and procure quality services and supplies, tailored to local needs to deliver sustainable outcomes and value for money?

29 The Council invested resources to develop its corporate arrangements for procurement and was actively involved in both regional and sub-regional collaborative ventures. Procurement was used to deliver financial savings but it is still too early to fully assess the impact on sustainable outcomes for local people. There is a need to drive procurement forward to ensure the benefits are maximised consistently across the organisation. The Council demonstrated that it is actively responding to agreed recommendations resulting from our previous work.

Does the organisation produce relevant and reliable data and information to support decision making and manage performance?

30 The Council produced relevant and reliable data and information to support decision making and manage performance and worked well with partners to ensure the quality of partnership data, sharing access to the performance management system with other members of the Local Strategic Partnership. The Council improved its understanding of the needs of decision makers, for example, around the economic recession and performance was aligned to financial information, monitored against priorities and targets and underperformance was addressed. Data security improved.

Does the organisation promote and demonstrate the principles and values of good governance?

31 The Council has a good understanding of the key ethical governance issues that it faces and the action needed to promote and maintain standards. During the year the Monitoring Officer and Chair of the Standards Committee raised awareness of standards and inappropriate behaviour was challenged. It adopted, promoted and demonstrated the principles of good governance and a satisfactory ethical framework and culture. The administration set out clear purpose and vision in its strategic priorities and this was communicated both within the Council and to external stakeholders. From 1 April 2009 the Council streamlined its scrutiny committees from 10 to 5, aligned them with the strategic priorities and adopted the 'Leader and Cabinet' executive arrangements going forward. The Council is planning to revise its corporate arrangements for governing partnerships although many outcomes from working in partnership were positive.

Does the organisation manage its risks and maintain a sound system of internal control?

32 Risk management arrangements were strong and the Council demonstrated areas where risks were successfully identified and mitigated. There were satisfactory arrangements in place to manage the risk of fraud and corruption. The system of internal control was generally satisfactory.

Managing resources

Is the organisation making effective use of natural resources?

33 As reported in 2008/09, the Council had an understanding of its environmental impacts that allowed it to focus its management on areas of high impact. It had high level summary information on energy use across its main properties and plans to implement more detailed monitoring. Significant reductions were achieved in its energy use and carbon dioxide emissions against a challenging target. The Council met its target to reduce its carbon emissions by 20 per cent by 2010, achieving this two years early in 2008. From 2006/07 to 2007/08 the Council reported a 'weather corrected' saving of £69k. Through its ISO 14001 certificated environmental management systems, it identified the environmental risks in key services that could cause pollution.

Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?

34 The Council had a strategic approach to asset management and started to implement its strategic asset review. Once implemented, the Council expects to make annual revenue savings of £2.3m from the closure of buildings and £1m from rationalising office accommodation – as well as providing improved services and reducing the impact of Council buildings on the environment. The Council is working with partners and community groups to maximise the use of assets for the benefit of the local community.

Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?

35 There was a strong commitment to people issues at the Council and some very good work on workforce planning and development took place within individual directorates. Through its People Strategy, the Council is now working to ensure that this approach is replicated across the organisation. It is also implementing a new HR information system. This should make workforce information more readily accessible and also help promote greater consistency in the way it is used. There is scope for the Council to strengthen its corporate approach for HR, as illustrated in our review of managing attendance below.

Risk-based performance reviews

36 To support my review of the criteria I undertook the following studies.

- Performance management
- Managing attendance

37 I have reported my detailed findings to the Council in separate reports and they are summarised below for members.

Performance management

38 The Council has sound systems and processes to manage its performance effectively and has taken positive steps to strengthen its performance management arrangements. However, these arrangements are not yet being consistently implemented across the organisation. I made four high priority recommendations for areas where further action will improve the overall effectiveness of these arrangements as follows.

- Further develop the Council's management information arrangements to help services monitor and manage improvements.
- Review arrangements to ensure that key strategic documents intended to support the delivery of the Corporate Plan are fully aligned to both the Corporate Plan and each other.
- Strengthen arrangements to promote shared learning, both internally and externally.
- Review the way that the Corporate Improvement Group (CIG) and Performance Management Group (PMG) function and contribute to the improvement of corporate performance management arrangements.

Managing attendance

39 The Council recognises that there is scope for it to strengthen its corporate approach to managing attendance. Whilst some work has been done at an organisational level, responsibility for establishing arrangements which underpin good attendance has been devolved to the Directorates. Whilst it is appropriate that Directorates should be encouraged to 'own' attendance issues and reflect local circumstances and service needs, the degree of devolution has made it difficult for the Council to be assured that appropriate action is being taken within Directorates. It is also more difficult to share learning and good practice across the organisation.

40 The challenge for the Council now is to establish a better balance and linkage between corporate and Directorate arrangements which provides clear direction and also empowers managers across the organisation to deal with attendance issues within their area of service. I made five high priority recommendations to improve or strengthen:

- the overall policy framework for managing attendance;
- the approach to absence management training;
- levels of ongoing support for managers on absence management issues;
- use of management information on sickness absence; and
- the strategic approach to promoting staff welfare and well-being.

Approach to local value for money work from 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 My work will be based on a reduced number of reporting criteria, specified by the Commission, concentrating on:

- securing financial resilience; and
- prioritising resources within tighter budgets.

43 I will determine a local programme of VFM audit work based on my audit risk assessment, informed by these criteria and my statutory responsibilities. I will no longer be required to provide an annual scored judgement relating to my local VFM audit work. Instead I will report the results of all my local VFM audit work and the key messages for the Council in my annual report to those charged with governance and in my annual audit letter.

Public Interest Disclosure Act reviews

44 Work on two Public Interest Disclosure Act (PIDA) reviews in respect of adult social services and the Highways and Engineering Services Procurement Exercise (HESPE) continues.

Adult social services

45 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.

46 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.

47 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.

48 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

49 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.

Current and future challenges

Economic downturn

50 In response to the economic downturn, the Comprehensive Spending review and significant increased financial pressures in the public sector, the Council has recognised that it can no longer afford to service its existing relationship with people of Wirral and needs to prioritise which services it does continue and how it delivers them. It has initiated a number of activities to shape future service delivery in Wirral and to balance budgets including :

- Review of financial plans
- Change programme
- Consultation and Task Forces
- Severance and early voluntary retirement

Review of financial plans

51 The Council has recently reviewed its Medium Term Financial Plan (MTFP) and the latest projections show the expected revenue and capital position over the next four years from 2011/12 to 2014/15:

Table 2: **Revenue and capital projections**

Revenue budget	Capital programme
■ the budget is expected to fall by 12% from £346.6m to £305.4m	■ the capital programme is expected to reduce by 31% from £56.9m to £39m
■ government grants are expected to fall by 20% from £179m to £143m	■ government grants are expected to fall by 26% from £40.8m to £30m
■ the shortfall is expected to be around £116m	■ the Council funds around 70% of its capital programme by government grants.

Source: *Wirral Council Cabinet 4 November 2010*

52 The latest projection takes into account the outcome of the Comprehensive Spending Review (CSR) published on 20 October 2010 which signalled a real terms reduction of 28 per cent in local authority budgets over the next four years with the impact falling more heavily in the earlier years. Capital funding will also be cut by 45 per cent over the next four years.

53 The Local Government Finance Settlement (LGFS) will be announced in early December 2010 and this will give the full financial impact for local government. In addition to the impact from the Government's plans, Wirral's population is showing the largest decline in the country, based on latest

Office for National Statistics (ONS) data. This will impact on the level of formula grant and add to the challenges announced in the CSR.

Change programme

54 In July 2010 a review of the Strategic Change Programme concluded that programme delivery confidence was 'red' and delivery of the Programme target of £36.8m over 3 years from 2011/12 was unachievable. Following the review arrangements were put in place to establish if projects are still relevant to the Council's objectives, have the ability to be delivered or can be enhanced or stretched to provide additional outcomes and a restated programme is now awaiting approval. To ensure delivery:

- A Strategic Change Programme Board (SCPB) has been established comprising the Leader of the Council, the Deputy Leader of the Council, the Deputy Leader of the Conservative Group, the Deputy Leader of the Liberal Democrat Group, the Chief Executive, and the Lead Chief Officer for the Programme.
- A Strategic Change Programme Office (SCPO) has been established under the Director of Technical Services.
- A corporate project management system has been procured and configured against the delivery arrangements established by SCPB.
- A "decision gate" approach to programme delivery had been developed and an assurance framework has been agreed and will be delivered by the Director of Finance to provide independent assurance of the programme to SCPB.

Localism - consultation and Task Forces

55 In June 2010, Cabinet committed to engaging and involving the public in decision making as part of the localism agenda. It established four independent Task Forces with a remit to review the Council's services in relation to four areas:

- Economy and Regeneration
- Living in Wirral
- Adult Social Services and Children
- Young People's Services.

56 Task Forces were asked to develop a series of options papers which would form the basis of a wider public consultation and programme of engagement with residents, staff, businesses and stakeholders in the voluntary, community and faith sector. The consultation *Wirral's Future. Be a part of it* ran between mid September and the end of October and each of the four independent Task Forces is currently considering all of the comments and suggestions received in the questionnaires. The outcomes will be fed into a refresh of the Council's Corporate Plan and Medium Term Financial plans.

Severance and early voluntary retirement

57 Delivering services in different ways and making the required reductions in costs will mean employing fewer people. Wirral Council in October offered

its staff the opportunity to retire early, work less hours or leave their job as a way of helping to balance the books. Remaining staff will be re-organized to deliver the priority service areas. Staff have also been told that any future offer of severance may be at a lower level as the Council believes the current rates being offered are not affordable in the long term.

58 A significant number of expressions of interest have been received from staff and the Council is currently assessing the potential impact of this on services. The proposal to make this reduction will be decided by the Council's Employment and Appointments Committee after consultation with staff and the Unions.

Service delivery

Adult Social Care Inspection

59 The Care Quality Commission (CQC) carried out an inspection of adult social care in May 2011 following concerns raised in 2009. The inspection concluded that:

- The Council was
 - performing poorly in safeguarding adults;
 - performing adequately in supporting adults with a learning disability to make a positive contribution; and
 - performing poorly in supporting adults with a learning disability to have increased choice and control.
- The capacity to improve in Wirral Council was uncertain.

60 A comprehensive improvement plan has been prepared by officers and approved by Cabinet. This has subsequently been updated and is being monitored to ensure milestones are achieved and actions implemented prior to the re-inspection in the new year. Improving adult social care will be a significant challenge for the Council during this uncertain period and needs to ensure it maintains capacity and skills.

Future developments

Regeneration - Wirral Waters

61 The planning application for Wirral Waters was approved in August and gives the go ahead to the regeneration scheme which the Council hopes will transform the economic fortunes of Wirral and bring 27,000 new jobs to the area. The Council is working closely with the developer to secure investment for the scheme. This will be a significant challenge during the current economic climate.

Personal social care

62 Personal budgets are one of the significant changes taking place in social care and 'Putting people first' expected that by October 2010 all people using services or their carers with assessed need for ongoing support are offered a personal budget and that all service users whose care

plans are subject to review are offered a personal budget. Personal budgets give adult social care users choice and control over the support they receive.

63 The challenge for the Council will be to respond to those choices and give budget holders real control which will require:

- improved administration;
- redesigned systems for budget monitoring and financial control;
- new commissioning strategies, especially as the Council has in house services and block contracts;
- new governance arrangements; and
- transparency to personal budget holders.

64 The Council has run two separate pilot schemes and in November 2010 approved the roll-out of personal budgets to all eligible residents in Wirral. The next challenge is to achieve the target of at least 30 per cent of eligible service users and carers having a personal budget by 31st March 2011.

Procurement

65 The Highways and Engineering Services Procurement Exercise (HESPE) contract has now been operating for 18 months and in our PIDA report we identified governance issues that needed to be addressed in any future contracting processes. The Council has just started the procurement process for the Parks and Countryside Service Procurement Exercise (PACSPE) and has prepared a comprehensive action plan from the lessons learnt from the HESPE review to improve governance and procurement arrangements. It is vital that the action plan is delivered to ensure the process is robust and that value for money is achieved.

Audit arrangements

66 On Friday 13 August, the Secretary of State for Communities and Local Government announced the proposed abolition of the Audit Commission and the transfer of the audit practice to the private sector. The proposed abolition will be from 2012/13 at the earliest and is subject to the passage of legislation. Arrangements for the audit of local government bodies from 2012/13 onwards will be clarified when the government publish its white paper on the future of public audit. This is expected in early 2011.

67 My priority is to ensure our professional standards and commitment will be maintained for the 2010/11 and 2011/12 audits. You will see no deterioration in customer service and quality. We are currently working on a proposal to develop an independent audit practice to continue beyond the abolition of the Audit Commission. Options available to us include a potential mutualisation or buy-out. Whatever the governance model that we adopt, we remain committed to providing excellent services to our existing clients, whilst seeking new opportunities to improve financial management and reporting and helping the sector achieve better value for money.

Closing remarks

68 I have discussed and agreed this letter with the Acting Chief Executive and the Director of Finance in November 2010. I will present this letter at the Cabinet and the Audit and Risk Management Committee in January 2011 and will provide copies to all board members.

69 Full detailed findings, conclusions and recommendations in the areas covered by our audit were included in the reports I issued to the Council during the year.

Report	Date issued
Audit and Inspection plans *	April 2009
Opinion audit plans *	January 2010
VFM conclusion plan	January 2010
Progress reports to Audit and Risk Management Committee	June, September, November 2010
Performance management	May 2010
Managing Attendance	August 2010
PIDA - HESPE	August 2010
Annual Governance Reports *	September 2010
Opinion on financial statements *	30 September 2010
Value for money conclusion	30 September 2010
Final accounts memorandum to officers	November 2010 (planned)
Review of 2009/10 grant claims and returns	January 2011 (planned)

** in respect of Wirral Council and Merseyside Pension Fund*

70 The Council has taken a positive and helpful approach to our audit. I wish to thank the Wirral Council staff for their support and cooperation during the audit.

Michael Thomas
District Auditor
November 2010

Appendix 1 Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	263,726	263,726	0
Value for money	126,274	126,274	0
Total audit fees	390,000	390,000	0
Non-audit work	£20,000	0	£20,000
Total	410,000	390,000	20,000

Source: Fee letter and Annual Governance Report

We charged a fee of £20,000 in respect of our work on the HESPE PIDA which was not anticipated when we agreed the original plan.

Appendix 2 Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are 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 and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
- whether they have been prepared properly, following the relevant accounting rules; and
- for authorities that administer a pension fund, an opinion on whether the pension fund accounting statements and related notes give a true and fair view of the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities as at the end of the year, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Financial statements

The annual accounts and accompanying notes.

Qualified

The auditor has some reservations or concerns.

Unqualified

The auditor does not have any reservations.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of money, people and time.

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