

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

17 JANUARY 2011

REPORT OF THE DIRECTOR OF FINANCE

AUDIT PLAN

1. EXECUTIVE SUMMARY

- 1.1. The Audit Plan sets out the work that the Audit Commission is proposing to perform in relation to the audit of the Council financial statements and the value for money assessment for 2010/11.

2. INTRODUCTION

- 2.1. To complete the audit of the 2010/11 Statement of Accounts and provide a value for money conclusion the Audit Commission has detailed in advance the work that it is planned will be undertaken. This is contained in the Audit Plan which details the approach being undertaken and explains the underlying issues. Whilst it is primarily for officers involved in the process, there are five key topics for Members of this Committee to consider:-

- Annual Governance Statement March 2011
- Statement of Accounts (pre-Audit) June 2011
- Value for Money Conclusion September 2011
- Annual Governance Report September 2011
- Auditor's Report September 2011

3. KEY TOPICS FOR MEMBERS CONSIDERATION

3.1. Annual Governance Statement (AGS)

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

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

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

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

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

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

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

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

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

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

3.2.5. For 2010/11 the Statement of Accounts will be prepared with regard to International Financial Reporting Standards. It is the intention to present to the Committee further details of how the financial statements will change due to the Standards over the coming months. Members are however requested to consider what training they require to help them perform their scrutiny role.

3.3 Value for Money Conclusion (VFM)

3.3.1 The Audit Commission will also examine whether the Council has proper arrangements in place for securing economy, efficiency and effectiveness. This is known as the value for money conclusion. A risk assessment for VFM is to be undertaken in January 2011 by the Auditors and then reported to the Committee. This will determine the programme of VFM audit work for this area. It is the plan to undertake field work up to April 2011 with an interim view supplied by June 2011. The final conclusion on VFM will be presented to this Committee as part of the Annual Governance Report by 30 September 2011.

3.4. Annual Governance Report (AGR)

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

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

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

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

3.5. Auditor's Report (Audit Opinion)

3.5.1 The Audit Commission will carry out the audit of 2010/11 SOA in accordance with International Standards of Auditing and issue an opinion on whether the financial statements are a true and fair financial position of the Council at 31 March 2011. In addition the transition to International Financial Reporting Standards in 2010/11 will also impact on the audit of the financial statements.

3.5.2 The opinion is due to be issued by 30 September 2011. It is released following Committee consideration of the Annual Governance Report and the Letter of Representation and confirmation that any required changes to the Statement of accounts have been implemented.

3.6. Summary

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

3.6.2 The complexity of the Accounts is such that the statutory deadlines of 30 June and 30 September often mean the formal reports cannot be presented to this Committee in accordance with normal reporting deadlines. Whilst every attempt will be made it is more likely that the reports will be available in the week preceding the June and September meetings. In both instances the reports will be accompanied by a presentation.

4. FINANCIAL IMPLICATIONS

4.1. The indicative fee for 2010/11 is £392,000, which represents an increase of 0.5% on the planned 2009/10 fee of £390,000. The Commission has confirmed that it will subsidise the "one-off" element of the cost of the transition to International Financial Reporting Standards (IFRS) in 2010/11 with a rebate being given of £21,904 reducing the fee for 2010/11 to £370,000.

5. STAFFING IMPLICATIONS

5.1. There are none arising directly from this report.

6. EQUAL OPPORTUNITY IMPLICATIONS

6.1. There are none arising directly from this report.

7. COMMUNITY SAFETY IMPLICATIONS

7.1. There are none arising directly from this report.

8. HUMAN RIGHTS IMPLICATIONS

8.1. There are none arising directly from this report.

9. LOCAL AGENDA 21 IMPLICATIONS

9.1. There are none arising directly from this report.

10. PLANNING IMPLICATIONS

10.1. There are none arising directly from this report.

11. MEMBER SUPPORT IMPLICATIONS

11.1. There are none arising directly from this report.

12. BACKGROUND PAPERS

12.1 Audit Plan - Audit Commission - December 2010.

13. RECOMMENDATIONS

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

13.2 That, in recognition of the complexity of the Statement of Accounts, the deadline for reports presented to the June and September meetings of this Committee, be waived. However, officers should attempt to ensure Members have the required papers in the week preceding the meeting.

IAN COLEMAN
DIRECTOR OF FINANCE

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