

# Progress report

**Wirral Council September 2011**

**Audit 2010/11**

**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.**

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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 as follows.

## **The Audit Commission**

- The Audit Commission has started the procurement process to outsource the work of its in-house Audit Practice with effect from the 2012/13. The Audit Practice is planning to submit an in-house bid.

## **Fees**

- The Audit Commission has now confirmed the programme of work and scale of fees for local government for 2011/12 and is consulting on a further rebate.

## **Opinion on the statement of accounts**

- The implementation of International Financial Reporting Standards (IFRS) was a significant challenge for the Council and a significant risk for our audit.
- The outcome of the Wirral's opinion audit is reported in our Annual Governance Report 2010/11.
- The Merseyside Pension Fund audit is reported in a separate Annual Governance Report.

## **Value for money conclusion**

- Our value for money work is reported in our Annual Governance Report.

## **Public Interest Disclosure Act (PIDA) work**

- Work on the PIDA in respect of the Directorate for Adult Social Services (DASS) continues
- We are currently following up the PIDA in respect of the Highways and Engineering Services Procurement Exercise (HESPE) and will report back to members at a future meeting.

## **National Fraud Initiative (NFI)**

- The Council is continuing to follow up matches on the 2009/10 NFI with the result that £318k is being recovered following error or fraud.
- The 201/12 matches were release by the Audit Commission in January 2011 and the current figure for recovery stands at £29k.

## **Grant claims and returns**

- Our grants work for 2010/11 has started.

### **Annual Audit Letter 2009/10**

- Our Annual Audit Letter, summarising the key issues for the year, was presented to Cabinet and the Audit and Risk Management Committee in January.

### **Audit team and key contacts**

- We have brought two potential conflicts to members' attention.

### **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.

# Audit plan

## Audit Commission

2 The Department for Communities and Local Government (DCLG) announced in August 2010 plans to abolish the Audit Commission and put in place new arrangements for auditing England's local public bodies. DCLG stated its intention to transfer the Commission's existing in-house Audit Practice to the private sector from 2012/13 and in due course abolish the residual elements of the Commission. The new regime will see the end of the Commission's responsibilities for overseeing and commissioning local audit and its other statutory functions, including those relating to studies into financial management and value for money.

3 The Commission worked with DCLG and has now formally launched the process for outsourcing the work of the Audit Practice and has issued Contract Notices in the Official Journal of the European Union. It has also published two other key documents relating to the procurement. The first is the [Procurement strategy \(PDF, 161kb\)](#) setting out the objectives of the procurement exercises and how they will be carried out. The second document is the formal [Protocol \(PDF, 194kb\)](#), to which all Commission staff have been required to sign up, to ensure propriety in the preparation of any employee-led bids which could form the basis of a new and distinctive provider in the market, possibly a mutual.

4 The table below provides the key milestones currently planned for the procurement of principal bodies. This is intended as a guide and while the Commission does not intend to depart from the timetable it reserves the right to do so at any stage.

Table 1: **Timetable for outsourcing**

The outcome of the outsourcing will be known in the Spring and the Commission will consult with Audited Bodies in April 2012

| Key milestone   | Date                  | Progress          |
|---|-----------------------|-------------------|
| Issue Contract Notices in the Official Journal of the European Union              | 5 September 2011      | Completed to plan |
| Issue pre-qualification questionnaires (PQQ) on request                           | From 5 September 2011 | Completed to plan |
| Deadline for return of PQQs   | 7 October 2011        | <i>Date o/s</i>   |
| Issue invitations to tender and anonymised TUPE information to selected suppliers | w/c 24 October 2011   | <i>Date o/s</i>   |

| Key milestone                                    | Date                    | Progress        |
|--|-------------------------|-----------------|
| Deadline for submission of tenders               | 16 December 2011        | <i>Date o/s</i> |
| Approval of contract awards                      | w/c 20 February 2012    | <i>Date o/s</i> |
| Consultation with audited bodies on appointments | 23 April - 13 July 2012 | <i>Date o/s</i> |
| Approval of auditor appointments                 | w/c 23 July 2012        | <i>Date o/s</i> |
| Appointments for 2012/13 commence                | 1 September 2012        | <i>Date o/s</i> |
| Staff transfer to firms awarded contracts        | 31 October 2012         | <i>Date o/s</i> |

*Source: Audit Commission @ September 2011*

5 We have discussed developments with chief officers and have reaffirmed the Commission's, and our own, commitment to delivering a high quality and effective audit service right through to the date the transfer to new arrangements takes place. We will continue to keep you up to date on developments.

### 2010/11 plan

6 The letters with the proposed fees for 2010/11 for audit and assessment were agreed with officers in April 2010 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.

7 The impact of the latest Audit Commission proposals on fees on Wirral Council for 2010/11 is summarised in the table below:

Table 2: **Work programme and fees 2010/11**

This represents the latest position on proposed fees for 2010/11. The scale fee for the 2010/11 audit is £363,000.

| Work programme               | Original fee £ | Rebate/<br>reduction £ | Latest fee proposal |
|------------------------------|----------------|------------------------|---------------------|
| Financial statements         | 257,612        | 21,904                 | 235,708             |
| Whole of government accounts | 7,466          | -                      | 7,466               |
| Value for money              | 126,922        | 12,705                 | 114,217             |

| Work programme                             | Original fee £ | Rebate/<br>reduction £ | Latest fee proposal |
|--|----------------|------------------------|---------------------|
| <b>Total audit</b>                         | <b>392,000</b> | <b>34,609</b>          | <b>357,391</b>      |
| Managing performance                       | 16,630         | 16,630                 | 0                   |
| Economic development                       | 32,523         | 32,523                 | 0                   |
| <b>Total inspection</b>                    | <b>49,153</b>  | <b>49,153</b>          | <b>0</b>            |
| <b>Certification of claims and returns</b> | <b>128,000</b> | <b>-</b>               | <b>128,000</b>      |
| <b>National Fraud Initiative *</b>         | <b>2,000</b>   | <b>-</b>               | <b>2,000</b>        |
| <b>Total work programme</b>                | <b>571,153</b> | <b>83,762</b>          | <b>487,391</b>      |

Source: Audit Commission, December 2010

Note: The Audit Commission is sending rebates directly to audited bodies to avoid confusion with the annual audit fee - the figures for rebates in this table are estimates.

\* NFI is £4,000 every 2 years.

### Audit fee

**8** The total indicative fee for the audit for 2010/11 is £392,000 (excluding VAT), a 0.5 per cent increase on the fee of £390,000 for 2009/10. This was less than the Audit Commission's anticipated 6 per cent 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.

**9** 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 from 2010/11. You will have received a refund from the Audit Commission of £21,904 which brings the fee charged for 2010/11 to £370,096.

**10** 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. The impact of stopping Comprehensive Area Assessment (CAA), including the cost of making several hundred staff redundant, has limited the level of rebates the Commission can afford to give bodies in 2010/11. However, the Commission now proposes to rebate 3.5 per cent for single-tier councils in



respect of the new approach for value for money. The rebate will be sent out shortly and brings the audit fee down to **£357,391**.

**11** These reductions, and the earlier rebate for the additional audit costs from the transition to International Financial Reporting Standards (IFRS), mean that Wirral's audit fee for 2010/11 is around 1 per cent less when compared to the scale fee and 9 per cent less when compared to the original fee. We will discuss with the Director of Finance the impact on fees of the difficulties encountered during the audit.

#### **Grant claims and returns fee**

**12** The planned fee for grant claims and returns is £128,000.

## **Assessment and inspection fee**

13 The fee letter agreed with officers in April showed the total indicative fee for inspection as £49,153. The Commission now proposes not to charge inspection fees for work already carried out in this financial year on the managing performance part of the organisational effectiveness assessment. This is because there was no value to the work once CAA ended.

## **National Fraud Initiative (NFI) 2010/11**

14 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.

## **2011/12 plan**

### **Audit fee**

15 The [Work programme and scales of fees 2011/12](#) document was published on 25 February 2011 and confirms significant reductions in audit fees, reflecting both the new approach to local value for money (VFM) audit work and a reduction in the ongoing audit costs arising from the introduction of International Financial Reporting Standards. The [scale fee for each audited local government, housing and community safety body](#) are also available.

16 The proposed 2011/12 scale fee for Wirral is £352,800. We have assessed the fee for Wirral Council for 2011/12 and have agreed with the Director of Finance that it will be at the scale fee of £352,800.

17 The Commission is consulting on a reduction of 10 per cent from the published 2011/12 scale fees for principal bodies. This continues its programme, begun before the announcement in August 2010 of the abolition of the Commission, to deliver cost cuts of £70 million (30 per cent) over a three-year period.

### **NFI 2011/12**

18 As noted above, the NFI fee is £4,000 over two years and so the Council will be billed £2,000 in 2011/12.

# Opinion

## Wirral Council 2010/11

**19** The District Auditor is required to issue an audit report by 30 September 2011 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 2011. Our Opinion Plan was presented to members of this Committee in January 2011 and set out in more detail the audit work we proposed to carry out in relation to the audit of the financial statements 2010/11 for Wirral Council, including the audit of the Whole of Government Accounts. We have updated the timetable at Appendix 2 to this report.

**20** There is a separate Opinion plan in respect of Merseyside Pension Fund's financial statements which was also presented to members of this Committee in January 2011. Progress on the Pension Fund is summarised in a separate section below and reported in the Annual Governance Report being presented at the Pensions Committee on 19 September 2011 and the Audit and Risk Management Committee on 28 September 2011.

**21** 2010/11 is the first year that the accounts need to be prepared in accordance with IFRS and represents a significant challenge for the Council and a significant risk for our audit. Our work on the council's statement of accounts is split into two elements.

- Pre-statements audit:
  - updating, documenting and walking through your systems;
  - identifying and testing key controls;
  - reviewing the control environment and general IT controls;
  - reviewing the implementation of IFRS; and
  - any early testing.
- Post statements audit:
  - testing material balances and ensuring the statements are in line with accounting standards.

### Pre-statements audit

**22** We did not progress to plan on all areas of the pre-statements audit. The key area of delay is the IFRS restatement work and issues are set out below and in our Annual Governance Report 2010/11.

### Systems and controls

**23** We have completed work on updating, documenting and walking through your systems and assessing the control environment, including IT controls:

- *Documenting and walking through your systems:* we have not identified any significant weaknesses in how your systems produce materially accurate figures in the financial statements
- *Identifying and testing key controls:* no significant issues identified in our testing of accounts payable and payroll; we raised issues regarding fixed assets,
- *Control environment:* we have not identified any significant weaknesses in overall management controls or risk management
- *IT controls:* we assessed that Wirral's IT controls give us adequate assurance that the systems that provide information for the financial statements will not lead to material mis-statement in the Councils accounts.

### **International Financial Reporting Standards (IFRS)**

**24** 2010/11 is the first year that the accounts need to be prepared in accordance with IFRS and last year we completed two surveys in November 2009 and July 2010 to assess the Council's preparedness.

**25** In November 2009 we assessed the Council as 'red' risk overall and following the July 2010 survey we reported to the Audit and Risk Management Committee in September 2010 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 varied significantly from comparator authorities were leases, progress against project plan and Involvement of the Audit and Risk Management Committee. (see Appendix 1).

**26** The latest Audit Commission report setting out the national findings from the survey is available at [Audit Commission website - IFRS implementation](#).

**27** We updated the Audit Commission survey in January 2011 and provided information on the national comparisons to officers. Our overall assessment for the January 2011 survey is 'red' as the Council is not on track against its project plan. We received IFRS re-stated opening balances in January and the 2009/10 comparatives, the policies and disclosures up to July 2011. The material and significant amendments are set out in our Annual Governance Report 2010/11.

### **Post-statements Audit**

**28** Our post-statements audit is reported in our Annual Governance Report.

### **Chief Accountants' workshops**

**29** 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 1 February 2011.

## **Merseyside Pension Fund 2010/11**

**30** The 2010/11 audit plan was presented to the Pensions Committee and the Audit and Risk Management Committee in January 2011. It confirmed the proposed fee of £54,065 for 2010/11.

**31** The plan included areas of risk to our audit opinion. The plan also set out the timetable for delivery of the 2010/11 audit and this is attached at Appendix 2 to this report.

**32** The results of our audit, including our findings and conclusions in respect of the risks in our plan are set out in the Pension Fund Annual Governance Report.

**33** The proposed fee for 2011/12 has been agreed with the Director of Finance at £60,966.

## Value for money conclusion

**34** The District Auditor is required to give a statutory value for money (VFM) conclusion on whether the Council has satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

**35** 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.

**36** Our value for money conclusion is reported in our Annual Governance Report.

## PIDA work

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

### Adult social services

**38** 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. A key issue was in respect of the charging policy applied at three supported living units.

**39** The previous administration commissioned an independent investigation into the whistleblower's allegations of bullying and harassment and this has now been reported to Cabinet.

**40** The previous Leader of the Council also commissioned an independent review to confirm that all issues raised by the whistleblower have been appropriately dealt with. We understand that the fieldwork is now complete and will be reported to members shortly.

### Procurement of highways and engineering services

**41** 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. We agreed that we would continue to monitor the Council's response to the recommendations in the action plan.

**42** Our follow-up work on the action plan and review of the Council's information on the benefits realisation process is underway and will be reported to members in November 2011.

# National Fraud Initiative

**43** 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. 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.

**44** Internal audit co-ordinates the follow-up of matches, which is undertaken by the responsible department. Matches are reviewed on an ongoing basis and the figures below reflect the position at 14 March 2011.

## NFI 2008/09 - 2009/10

**45** The Council is reviewing the output from the 2008/09 NFI matching exercise which identified 20,325 matches. At the beginning of March 2011 the Council has identified that as a result of investigating the 2008/09 matches:

Table 3: **Fraud and error identified from the 20,325 NFI 2008 matches**

| Fraud and error            | September 2010 | March 2011  |
|----------------------------|----------------|---|
| Total matches progressed   | 5,901* - 29%   | 7,605 - 37%   |
| Frauds identified          | 28 frauds      | 82 frauds (70 relate to council tax)                      |
| Errors identified          | 296 errors     | 539 errors  |
| Value of frauds and errors | £255k          | £326k   |
| Recovering**               | £256k          | £318k   |
| Still progressing          | 14,424*        | 12,720 (creditors 4,715; council tax - 6496; 1,519 other) |

Source: Audit Commission NFI 14 March 2011

\* information at 13/10/10

\*\* The Council is in the process of recovering this amount and has stopped future payments where applicable



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

47 Now that work on NFI 2008/09 should be nearing completion the Audit Commission withdrew access to most of the NFI 2008/09 matches on March 28 2011. Council tax matches will remain on the system for the immediate future as these were released at a later date than the other matches.

#### **NFI 2010/11 - 2011/12**

48 The Council provided the required information to participate in the exercise and data matches were provided by the Audit Commission at the end of January 2011. The position in March is set out below:

Table 4: **Fraud and error identified from the 22,917 NFI 2010 matches**

| <b>Fraud and error</b>     | <b>March 2011</b>  |
|----------------------------|--|
| Total matches progressed   | 1472 cases (mainly pensions, housing benefits and blue badges) |
| Frauds identified          | 0 frauds   |
| Errors identified          | 34 errors  |
| Value of frauds and errors | £32k   |
| Recovering*                | £29k   |
| Still progressing          | 21,445   |

Source: *Audit Commission NFI 14 March 2011*

\* The Council is in the process of recovering this amount and has stopped future payments where applicable

# Grant claims and returns

## 2009/10

**49** The 2009/10 grant claims and returns report was presented to this meeting of the Audit and Risk Management Committee.

**50** The grants claim programme was successfully completed in 2009/10. All claims were submitted on time, a significant improvement compared to previous years and all claims were also certified on time. Coordination arrangements worked well, there was a slight improvement in the control environment and a reduction in the number of claims requiring amendment and qualification. The amendments resulted in an increase of funding due to the Council of £33,793.

## 2010/11

**51** The 2010/11 programme is underway and comprises the following claims.

- Housing and Council Tax Benefits Scheme.
- National non-domestic rates grant.
- Teachers' pensions return.
- Disabled facilities grant.
- Single programme grants.
- General Sure Start grant.

# Annual Audit Letter

## 2009/10 - key findings

**52** The 2009/10 Annual Audit Letter was presented to the January 2011 meeting of the Audit and Risk Management Committee. It was also considered by Cabinet in January 2011.

**53** The key issues were:

- unqualified opinion on Wirral Council's 2009/10 financial statements given by the statutory deadline
- unqualified opinion on Merseyside Pension Fund's 2009/10 financial statements by the statutory deadline
- unqualified opinion on the Whole of Government Accounts consolidation pack on 1 October 2010
- unqualified value for money conclusion confirming that the Council has satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources
- our actual fees (£390,000) were in line with our proposed fees as agreed with the Audit and Risk Management Committee at its meeting in June 2009.
- we 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).
- we highlighted the current and future challenges for the Council and the 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.

## The audit team and key contacts

**54** The key members of the audit team for the 2010/11 Council and Pension fund audits were set out in our Audit Plans which were presented to the January meeting of the Audit and Risk Management Committee. There is currently no change to either of the teams.

**55** I can confirm that the audit of both the Council and the Pension Fund are being carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence. We have reported two potential conflicts in our Annual Governance Report.

# Members' resources

## Audit Commission information for members

**56** The local government national studies programme aims to improve local public services through its independent authoritative analysis of national evidence and local practice. Information on the programme is on the Audit Commission's website at [national studies programme](#).

### Advisory Services

**57** Our Advisory Services are able to support clients under paragraph 9 of Schedule 2A of the Audit Commission Act 1998 to provide 'advice and assistance' (A&A) to another public body. We have developed a number of briefings and tools to support councils with their efficiency agenda, get better value from partnerships and improve performance. Please contact the District Auditor or Audit Manager if you would like to know more about these improvement tools.

### Upcoming reports

**58** 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 (Spring 2011): 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.
- Schools workforce management (Spring 2011): Our 2009 report, 'Valuable lessons', set out savings that could be made by schools

through better balance 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

## Published reports

### Latest releases



- **Improving value for money in adult social services**, 2 June 2011. This briefing is the first in a series of briefings that will look at value for money in health and social care and considers what councils might do to provide better, more efficient services. It finds that, as demographic change and financial pressures combine to create tough times for adult social care, councils have looked at many aspects of the service in order to provide better, more efficient services. Better procurement, improved back office arrangements, and a preference for community-based rather than residential care where possible, are just some of the changes that local authorities have implemented to help them meet the challenges they face. But the briefing also finds that the pace and scale of change need to increase if councils want to release material savings, as well as improve care for people.



- **Going the distance - Achieving better value for money in road maintenance**, 26 May 2011. This national report looks at what councils can do to get more for their money in road maintenance, in the face of increasing traffic, severe winters, higher costs, and dwindling highways funding. The report highlights how councils can get more for their money, including cost-saving collaborations with neighbours, asset management to show when road maintenance will be most effective, new ways of keeping residents informed, and weighing short-term repairs against long-term resilience. It includes a series of case studies which demonstrate how some councils have developed strategies that balance growing service demands with reducing resources.



- **Better value for money in schools**, 31 March 2011. These four briefings are designed to help schools make the best

use of their workforce - whether teachers, teaching assistants, or administration and finance staff - at a time when they have to find savings. They aim to help school heads, governing bodies and councils control costs without compromising educational attainment. In addition, the Commission published a summary paper, An overview of school workforce spending, which is targeted at chairs of governing bodies and lead members on children's services.



- **Auditing the accounts 2009/10: Quality and timeliness of local public bodies' financial reporting**, 16 December 2010. A summary of the quality and timeliness of financial reporting by councils, police authorities, fire and rescue authorities and local government bodies.



- **2011/12 Proposed work programme and scale of fees**; published 10 December 2010. We are consulting on our proposed work programme and scales of fees for 2011/12.



- **Against the odds - Re-engaging young people in education, employment or training**; published 3 November 2010. Since the release of the report on 7 July 2010, we have produced a series of maps detailing changes in the proportion and numbers of young people not in employment education and training (NEET)



- **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.



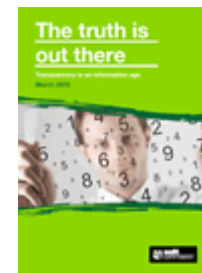
- **Against the odds. Re-engaging young people in education, employment or training** - 7 July 2010. We reveal how councils need a new approach in getting to grips with the needs of their local teens, in order to make scarce resources work harder for those at greatest risk of long-term unemployment.



- **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.

- **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)

59 We have listed the IFRS reports and briefings available on the Audit Commission website for management and members. This is the first year of

financial reporting under IFRS and members will be required to approve the accounts on this basis in September 2011.

### Complete list of resources

- [The final countdown: IFRS in local government](#) ⇨ 17 March 2011. The Commission has published the final briefing paper in its Countdown to IFRS series, reporting on findings from a January 2011 auditor survey on implementation of IFRS in local government.
- [Countdown to 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.
- [Countdown to IFRS: 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.

## Appendix 1 IFRS implementation

**60** In September 2010 we provided a set of graphs showing Wirral's progress on IFRS compared to other Councils and identified the key risk areas where the Council varied from comparator authorities:

- leases – Wirral is amongst the 7 per cent of authorities overall that are assessed as red (8 per cent metropolitan boroughs and 5 per cent of northern authorities); currently being reviewed.
- Wirral is not 'on track' against the project plan – 69 per cent of authorities overall are 'on track' (67 per cent metropolitan boroughs and 74 per cent 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; currently not on track.
- the Audit and Risk Management Committee has had no involvement on IFRS implementation – 87 per cent of audit committees overall have been kept updated and 49 per cent of those and a further 3 per cent have also questioned officers on progress (87 per cent metropolitan boroughs and 85 per cent of northern authorities); the Committee received reports in November 2010 and January 2011.

Table 5: **IFRS implementation 2010/11**

| Issue                    | Findings November 2009  | Findings July 2010   | Findings January 2011  |
|--------------------------|---|--|--|
| Governance and oversight | The role of the Audit and Risk Management Committee in the implementation of IFRS has been limited. | The role of the Audit and Risk Management Committee in the implementation of IFRS has been limited.  | The Audit and Risk Management Committee received reports in November 2010 and January 2011.  |
| Timetable                | The Council is not on track against its project plan.   | 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 Council is not on track against its project plan. We received restated opening balances in January and the Council is currently amending these. We expect the amendments and the remaining IFRS statements including |

| Issue                                    | Findings November 2009 | Findings July 2010   | Findings January 2011  |
|--|------------------------|--|--|
|  |                        | the end of December 2010.  | policies and notes before the end of March 2011.                         |
| Non-current assets                       | Assessed as 'red'.     | 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. | We are currently reviewing this as part of the IFRS restatement exercise |
| Leases and other lease type arrangements | Assessed as 'red'.     | 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.   | We are currently reviewing this as part of the IFRS restatement exercise |
| Employee benefits                        | Assessed as 'green'    | 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.  | We are currently reviewing this as part of the IFRS restatement exercise |
| Group accounts                           | Assessed 'green'       | We assessed the risk as 'green'. The Council does not currently have any arrangements that would require it to produce group accounts.   | We are currently reviewing this as part of the IFRS restatement exercise |

*Source: Audit Commission surveys, November 2009, July 2010 and January 2011*

## Appendix 2 Wirral Council - opinion timetable

### Wirral Council timetable

**61** The timetable is proceeding to plan for some areas. Our work on IFRS has been delayed due to non or late receipt of information from the Council.

Table 6: **Agreed timetable for the financial statements audit**

This timetable will be kept up to date and members of the Audit and Risk Management Committee (ARMC) will be informed of any significant changes.

| Activity  | Date  | Update at June 2011   |
|---|---|---|
| Agreement of plan with officers   | Draft by mid December 2010<br>Final by end December 2010  | Completed as planned  |
| Progress meetings with officers pre statements  | Monthly   | Ongoing as planned  |
| <b>Training provided by officers to ARMC members on IFRS</b>  | <b>January 2011</b><br><b>March 2011</b><br><b>June 2011</b>  | Reports received November 2010 and January 2011. Training 14 July 2011                    |
| <b>Presentation of plans to members of ARMC**</b>   | <b>ARMC 17</b><br><b>January 2011</b>   | Completed as planned  |
| <b>Audit progress reports to ARMC</b>   | <b>17 January 2011</b><br><b>28 March 2011</b><br><b>June 2011</b><br><b>September 2011</b><br><b>November 2011</b> | Completed as planned to June 2011.  |
| <b>Receipt of IFRS restated accounts by ARMC and auditor</b>  |   | 1st version of restated opening balance sheet received 14 January 2011.                   |
| <ul style="list-style-type: none"> <li>■ <b>Opening balance sheet at 1 April 2009</b></li> <li>■ <b>Comparative figures for 2009/10 for all the statements</b></li> </ul> | <b>31 December 2010</b><br><br><b>Mid January 2011</b>  | Final versions of comparatives, policies and disclosures received by beginning July 2011. |
| Working papers for IFRS   | Mid January   | Some received in  |

| Activity   | Date   | Update at June 2011   |
|--|--|---|
| restatement provided to the auditor  | 2011   | January; some outstanding in mid August (provided by end August).   |
| Audit of IFRS restated accounts  | Mid January to mid February 2011   | Delayed due to non or late receipt of all restated accounts. Work completed end August 2011.  |
| <b>Feedback to officers and members on the audit of the IFRS restated accounts</b>                     | <b>Officers by end February<br/>ARMC 28 March 2011 - in Progress report</b>    | Delayed due to non or late receipt of all restated accounts. We have reported the latest position in these progress reports throughout the process. |
| ISA+315 knowledge of the entity including documenting and walking through material information systems | December 2011 - January 2011   | Completed as planned  |
| Evaluating the control environment including IT controls   | December 2010 - January 2011   | Completed as planned  |
| Controls and relevant early substantive testing  | Mid January to mid February 2011   | Delayed - as above due to IFRS restatement. Some controls testing not dependant upon IFRS was completed to plan.                                    |
| <b>Feedback to officers and members of ARMC on the pre-statements audit</b>                            | Officers by end February<br>ARMC 28 March & 30 June 2011 - in Progress reports | Interim report 14 June 2011. No significant issues to bring to members' attention except for issues summarised in report above.                     |
| <b>ARMC consider draft Annual Governance Statement (AGS) presented by officers</b>                     | ARMC 28 March 2011   | Complete - was on agenda for March 2011.  |
| Any further early substantive testing  | Mid June 2011  | Completed to plan   |



| Activity   | Date                                  | Update at June 2011  |
|--|---------------------------------------|--|
| <p><b>Receipt of pre-audit accounts** by:</b></p> <ul style="list-style-type: none"> <li>■ <b>ARMC - to review prior to challenge and approval at meeting by 30 June 2011</b></li> <li>■ and auditor - to complete detailed post-statements planning prior to fieldwork</li> </ul> | 16 June 2011                          | <p>ARMC are no longer required to approve the accounts prior to audit following the recent change in the Accounts and Audit Regulations 2011. *</p> <p>Auditor to receive accounts approved by DoF by 30 June 2011. Received evening of 4 July 2011.</p> |
| Pensions Committee to challenge MPF accounts and make recommendations to ARMC  | Before ARMC meeting (by 30 June 2011) | No longer applicable due to the change in the Accounts and Audit Regulations 2011. *   |
| <b>ARMC to challenge and approve accounts, including AGS and Pension Fund Statements.</b>  | By 30 June 2011                       | No longer applicable due to the change in the Accounts and Audit Regulations 2011. *   |
| Working papers provided to the auditor   | 1 July 2011                           | Not met - received in stages from 7 July   |
| Start of detailed testing on main statements   | 4 July 2011                           | Not met as lack of working papers; trial balance not received until 17 August 2011   |
| Progress meetings with officers post-statements  | Weekly                                | Met as planned and liaison arrangements worked well  |
| Completion of fieldwork on main statements   | 5 August 2011                         | Timetable slipped due to later receipt of accounts and receipt and standard of working papers.   |
| Receipt of Whole of Government Accounts (WGA) and working papers   | 22 July 2011                          | Submitted to National Audit Office (NAO) on 29 July 2011 in line with revised deadline; received for audit 11 August 2011 in line with new arrangements. Working papers received on 17 August 2011.  |

| Activity   | Date  | Update at June 2011  |
|--|---|--|
| Completion of fieldwork on WGA   | 15 August 2011  | ongoing at 12 September  |
| District Auditor review of audit work  | 15 August 2011  | Delayed. Interim review 17 August 2011.  |
| Agreement of errors and uncertainties for Finance to complete covering reports and amend statements**  | 19 August 2011  | Delayed. Interim errors and uncertainties communicated 17 August 2011.   |
| Draft Annual Governance Reports from Audit Commission to officers**  | 5 September 2011  | Draft AGR shared on 5 September and hardcopy sent 6 September 2011.  |
| Meeting with officers to agree final AGRs** (AGRs will highlight any outstanding issues that will be updated at meetings with members)   | Meetings by 7 September 2011<br>Final AGRs by 12 September 2011 | Meetings held on 5 September with DoF and 12 September 2011 with CE and DoF.<br>Final MPF AGR 8 September 2011<br>Final Wirral AGR 13 September 2011 |
| 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 2011)                | Meeting now confirmed for 19 September 2011.   |
| <b>ARMC to:</b><br><ul style="list-style-type: none"> <li>■ <b>consider the matters raised in the Pension Fund AGR and the recommendation of the Pensions Committee</b></li> <li>■ <b>consider the matters raised in Wirral Council's AGR and any tabled or verbal update on outstanding issues</b></li> <li>■ <b>take note of any adjustments to the financial statements and agree to adjust the errors in the financial statements</b></li> </ul> | By 30 September 2011  | Meeting now confirmed for 28 September 2011.   |

| Activity   | Date                        | Update at June 2011  |
|--|-----------------------------|--|
| <p>management has declined to amend or set out the reasons for not amending the errors</p> <ul style="list-style-type: none"> <li>■ approve the letter of representation on behalf of the Council and for the Pension Fund</li> <li>■ agree the Council's response to the proposed action plans</li> <li>■ approve the financial statements</li> </ul> |                             |  |
| <p>District Auditor to issue opinions** (and value for money conclusion)<br/>Audited accounts published by the Council**</p>   | <p>By 30 September 2011</p> | <p>On course providing amended accounts and supporting working papers provided by 23 September 2011.</p>   |
| <p>WGA return certified and submitted by District Auditor</p>  | <p>1 October 2011</p>       | <p>Recent revision to 30 September 2011 following Accounts and Audit Regulations 2011.<br/>On course providing amended accounts and supporting working papers provided by 23 September 2011.</p> |

Source: Wirral Council Audit Plan 2010/11, January 2011 & update Septembere 2011.

\* revised following consultation on the Accounts and Audit Regulations 2010.

## Merseyside Pension Fund timetable

62 The timetable is proceeding to plan for some areas. Our work on IFRS has been delayed due to non or late receipt of information from the Council.

**Table 7: Agreed timetable for the financial statements audit**

This timetable will be kept up to date and members of the Audit and Risk Management Committee (ARMC) will be informed of any significant changes.

| Activity  | Date  | Update at June 2011   |
|---|---|---|
| Agreement of Opinion Plan with officers   | Draft by early December 2010<br>Final by end December 2010  | Completed as planned  |
| Progress meetings - pre statements  | Quarterly   | Completed as planned  |
| Presentation of Opinion Plan to members<br>Finance to present covering report including explanation of the final accounts process and the respective roles of Pensions and Audit and Risk Management Committees | Pensions Committee 11 January 2011<br>ARMC 17 January 2011. | Completed as planned  |
| ISA+315 work - understanding the entity   | From November 2010  | Completed on receipt of final information received in August 2011   |
| Pre statements control and early substantive testing  | February/March 2011   | Completed as planned  |
| Planning of and arrangements for IAS19 assurance work   | March 2011  | Completed as planned  |
| Pre statements testing of initial IAS19 assurance work and investment valuation   | Late May/early June 2011                                    | Completed as planned.   |
| Working papers provided to auditors   | Mid June 2011   | Will now be presented with the pre-audit accounts - working papers received in stages after the statements and approved accounts. |
| Receipt of pre audit accounts by Pensions Committee, Audit and Risk   | 20 June 2011  | ARMC are no longer required to approve nor Pensions   |

| Activity   | Date                                  | Update at June 2011  |
|--|---------------------------------------|--|
| Management Committee and auditor   |                                       | Committee to consider the accounts prior to audit following the recent change in the Accounts and Audit Regulations 2011. *<br>Auditor to receive accounts approved by DoF by 30 June 2011. Pensions statements received 28 June but approved accounts not received until 4 July 2011. |
| Pensions Committee to challenge accounts and make recommendations to ARMC  | Before ARMC meeting (by 30 June 2011) | No longer applicable due to the change in the Accounts and Audit Regulations 2011. *   |
| ARMC to challenge and approve Council accounts, including Annual Governance Statement and Pension Fund Statements. | By 30 June 2011                       | No longer applicable due to the change in the Accounts and Audit Regulations 2011. *   |
| Start of detailed post statements testing  | June 2011                             | Will not be June 2011 due to later planned receipt of accounts due to revised Accounts and Audit Regulations 2011 - detailed testing started 4 July 2011.  |
| Post statements progress meetings  | Weekly                                | Discussions or meetings held   |
| Completion of fieldwork on statements  | Mid August 2011                       | Continuing at 12 September   |
| Agreement of Errors and Uncertainties  | 19 August 2011                        | Not met due to continuing testing - meeting 17 August discussed progress.  |
| Draft MPF Annual Report provided to auditors   | 19 August 2011                        | Draft received 31 August 2011  |
| Draft Annual Governance  | 5 September                           | Met - draft sent 2   |

| Activity   | Date  | Update at June 2011   |
|--|---|---|
| Report from Audit Commission to officers   | 2011  | September 2011  |
| Meeting with officers to agree final AGRs (AGRs will highlight any outstanding issues that will be updated at meetings with members)                                       | Meetings by 7 September 2011<br>Final AGRs to officers and members by 12 September 2011 | AGR agreed at meeting 5 September 2011;<br>Final AGR sent to officers and Committees 8 September 2011 |
| Final version of Annual Report available for audit agreement   | 16 September 2011   | Will be delayed due to delay in draft.  |
| 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 2011)  | Meeting now confirmed for 19 September 2011.  |
| ARMC - to consider Annual Governance Report, including any verbal update on outstanding issues   | By 30 September 2011  | Meeting now confirmed for 28 September 2011.  |
| Final check of post-audit statements and annual report   | By 30 September 2011  | Final amendments not yet received   |
| Issue of opinion by District Auditor   | By 30 September 2011  | On course providing amended accounts and supporting working papers provided by 23 September 2011.     |

*Source: Merseyside Pension Fund audit plan 2010/11, January 2011.*

\* revised following consultation on the Accounts and Audit Regulations 2011.