

## WIRRAL COUNCIL

### CABINET

13 OCTOBER 2011

<b>SUBJECT</b>	<b>STATEMENT OF ACCOUNTS 2010/11</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER</b>	<b>COUNCILLOR STEVE FOULKES</b>
<b>KEY DECISION</b>	<b>YES</b>

#### 1.0 EXECUTIVE SUMMARY

- 1.1. The Council Constitution allocates responsibility for the approval of the Statement of Accounts to the Audit & Risk Management Committee. The Statement for 2010/11 was published on 4 July 2011 and was then subject to audit. The District Auditor presented his findings within the Annual Governance Report (AGR) together with any additional update to the Audit and Risk Management Committee on 28 September 2011.
- 1.2 The Statement of Accounts includes the Merseyside Pension Fund (MPF) accounts as Wirral Council is the Administering Authority for MPF. As MPF receives a separate Annual Governance Report this was considered by the Pensions Committee on 19 September 2011 and the Audit and Risk Management Committee on 28 September 2011 as part of approving the Accounts.

#### 2.0 RECOMMENDATION

- 2.1 That Cabinet note the Statement of Accounts for 2010/11 and the Annual Governance Report.

#### 3.0 REASON FOR RECOMMENDATION

- 3.1 Audit & Risk Management Committee has responsibility for approving the Statement of Accounts on behalf of the Council which is a requirement under the Accounts and Audit Regulations 2003, as amended in 2011.

#### 4.0 BACKGROUND AND KEY ISSUES

##### INTRODUCTION

- 4.1 The purpose of the Statement of Accounts is to present the overall financial position of the Council at 31 March 2011 in accordance with prescribed guidance supported by the Statement of Recommended Practice (SORP) which is updated annually and specifies the accounting principles and practices required to prepare a Statement of Accounts which present fairly the position of a local authority.

- 4.2 The Accounts and Audit Regulations 2003, as amended in 2011, state that the Statement of Accounts must be approved by an appropriate Committee no later than 30 September. This is a change for 2010/11 as by 30 June 2011 I had to sign the Accounts certifying that they represent a true and fair view of the financial position of the Authority. This I did on 4 July 2011 when the accounts were issued to all Members of this Committee and also made publicly available. On 14 July 2011 a briefing session was held for Members of the Audit and Risk Management Committee with the session open to all Members of the Council on understanding the published financial accounts. The session included:-
- Overview - legal requirements, roles, responsibilities and the process.
  - Accounts and Audit Regulations 2011.
  - International Financial Reporting Standards.
  - Statement of Accounts 2010/11, changes for 2010/11, review of the contents and highlight of the key areas.
- 4.3 The Accounts are subject to audit and if the Audit Commission requires any material amendments to the Accounts, then under the Audit Commission Act 1998 and the Audit Commission Code of Audit Practice for Local Government the District Auditor reports on the financial statements. As stipulated by the Regulations, these are reported to the Audit and Risk Management Committee prior to 30 September.
- 4.4 The Accounts are produced in accordance with the statutory accounting framework laid down by the Accounts and Audit Regulations 2003. The framework is further supported by the Statement of Recommended Practice (SORP). The SORP is updated annually and specifies the accounting principles and practices required to prepare a Statement of Accounts which present fairly the position of a local authority.

#### **AMENDMENTS TO THE STATEMENT OF ACCOUNTS**

- 4.5 There are a number of amendments to the financial statements that have been requested by the District Auditor and are detailed in the Annual Governance Report (Appendix 2).
- 4.6 The amendments have not changed the level of General Fund balance or reserves and provisions at 31 March 2011 which remain as reported to Cabinet on 23 June 2011
- 4.7 Besides commenting on the Financial Statement the Annual Governance Report also includes a Value for Money conclusion. The District Auditor has identified that whilst the Council is achieving cost reductions it is not able to demonstrate that it is improving efficiency and productivity in some areas with the Highways and Engineering Services (HESPE) contract quoted as an example.

## **COMMENTS**

- 4.8 The Statement of Accounts was published on 4 July 2011 which was after the deadline of 30 June 2011. The production of the Accounts presented the Council, particularly the Financial Services Division, with a number of challenges primarily from 2010/11 being the first year upon which the Accounts were fully prepared under International Financial Reporting Standards (IFRS).
- 4.9 Under the IFRS the Council is expected to improve and enhance its asset records and systems. This has been highlighted in the Annual Governance Report from 2008/09 onwards and there has been considerable work undertaken to make improvements. A new asset accounting system was procured and implemented in 2009/10 and into 2010/11. This involved the transferring of thousands of records on buildings, previously held on spreadsheets, onto the system. Work on enhancing the Vehicles, Plant and Equipment records, and supporting systems, whilst progressing, has not been within the required timescales and it is acknowledged that there remain issues to be addressed.
- 4.10 The amendments made as a result of the audit have been mainly around assets although there are a number resulting from the reduced quality assurance undertaken in 2010/11. The time available has been curtailed due to the reduced capacity within the Division which eroded the allocated contingency period and resulted from the need to prepare the Accounts under IFRS (with the need to restate previous years) having taken longer than planned.
- 4.11 Reference has been made to the adequacy of resources to support the preparation of the Statements, and for the subsequent Audit. Following the completion of the annual Accounts a review is undertaken and lessons learned to be put in place to seek improvements for the next year. This year this will include an assessment of the options to secure additional staffing resources in order to ensure compliance with statutory requirements. The Annual Governance Report and comments from the Audit Commission, as identified in the Action Plan in Appendix 5, assist in the preparation of future Statement of Accounts.
- 4.12 In terms of the financial position. Whilst there have been amendments to the Accounts there have been no changes to the level of the General Fund balance, reserves and provisions which remain as reported to Cabinet on 23 June 2011.

## **ANNUAL GOVERNANCE STATEMENT**

- 4.13 This Statement is the subject of a separate report on this agenda and, although not required to be included in the Statement of Accounts, is included as it shows how the Council has ensured the effectiveness of its systems for ensuring that it operates legally and that public money is properly used and accounted for. Cabinet on 22 September 2011 considered a report on Corporate Governance which has influenced the final version of the Annual Governance Statement for 2010/11.

## **5.0 RELEVANT RISKS**

- 5.1 The District Auditor has identified a number of concerns in his report. If not addressed by the Council then there are potential risks that the Council will not be able to meet its statutory requirements in respect of the Statement of Accounts. There are also concerns relating to value for money, emanating from the HESPE contract in that the Council needs to demonstrate improved efficiency and productivity from major contracts.

## **6.0 OTHER OPTIONS CONSIDERED**

- 6.1 The Statement of Accounts has to be produced in accordance with statutory guidance and the Statement is then subject to review by the appointed Auditor.

## **7.0 CONSULTATION**

- 7.1 There has been no specific consultation in respect of this report.

## **8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

- 8.1 There are none arising directly from this report.

## **9.0 RESOURCE IMPLICATIONS**

- 9.1 The amendments to the Statement of Accounts 2010/11 have not changed the level of General Fund balance or reserves and provisions at 31 March 2011 which remain as reported to Cabinet on 23 June 2011.
- 9.2 The Annual Governance Report makes reference to the adequacy of the level of staffing resources within the Financial Services Division. A further report will be brought to Cabinet on the options available when the issues raised have been reviewed and considered.
- 9.3 There are no IT implications arising from this report.

## **10.0 LEGAL IMPLICATIONS**

- 10.1 It is a legal requirement to publish the Statement of Accounts by 30 September 2011.

## **11.0 EQUALITIES IMPLICATIONS**

- 11.1 There are none arising directly from this report.

## **12.0 CARBON REDUCTION IMPLICATIONS**

- 12.1 There are none arising directly from this report.

## **13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

- 13.1 There are none arising directly from this report.

**REPORT AUTHOR:** Tom Sault  
Head of Financial Services  
telephone: 0151 666 3407  
email: tomsault@wirral.gov.uk

## **APPENDIX**

Statement of Accounts 2010/11.

## **BACKGROUND PAPERS**

Annual Governance Report for Wirral Council issued by the Audit Commission  
September 2011.

## **REFERENCE MATERIAL / SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
Audit & Risk Management Committee	28 September 2011
Pensions Committee	19 September 2011
Audit and Risk Management Committee	28 September 2010