

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

29 NOVEMBER 2011

SUBJECT	STATEMENT OF ACCOUNTS AND FINAL ANNUAL GOVERNANCE REPORT 2010/11
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR STEVE FOULKES
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1. This report provides Committee with the final position relating to the Statement of Accounts for 2010/11 that was approved by this Committee on 28 September 2011. At that time this was subject to the clarification of issues before the Accounts were published by the statutory deadline of 30 September 2011.

2.0 RECOMMENDATIONS

- 2.1 That the final Annual Governance Report issued by the Audit Commission and the Report of the District Auditor (Audit opinion) be noted.
- 2.2 That a report be presented to this Committee setting out the improvements and arrangements for the completion of the 2011/12 Statement of Accounts.

3.0 REASONS FOR RECOMMENDATIONS

- 3.1 The report seeks to update Committee on the conclusion of the audit process for the 2010/11 Statement of Accounts.
- 3.2 Committee on 28 September 2011 were concerned that issues raised by the District Auditor were recurring and comments were made about a lack of capacity within the Financial Services Division. I agreed to provide Committee with a report on the actions to be taken for completing the 2011/12 Accounts.

4.0 BACKGROUND AND KEY ISSUES

- 4.1 The purpose of the Statement of Accounts is to present the overall financial position of the Council at 31 March in accordance with prescribed guidance supported by the Statement of Recommended Practice (SORP). This 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. 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 prior to 30 September.

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- 4.3 This Committee considered the Accounts and draft Annual Governance Report (AGR) plus supplementary updates on 28 September 2011. At the time of the meeting the audit had not been completed and the District Auditor updated Members on the latest position. Whilst there were issues to be resolved he was confident that he would issue an unqualified opinion, stating that the accounts gave a true and fair view of the financial position of the Council as at 31 March 2011. This would enable the accounts to be published by the statutory deadline of 30 September 2011. A final AGR position was issued by the District Auditor on 30 September 2011 and is at Appendix A.
- 4.4 Committee agreed actions relating to the finalising of the Letter of Representation enabling the Statement to be published by the deadline. Members also requested further reports in relating to the accounting for, and recording of, assets and on actions to bring improvements so that the accounts could be compiled in future without the problems experienced this year.

LETTER OF REPRESENTATION

- 4.5 The Letter has to be agreed by this Committee and a draft Letter of Representation was included within the Annual Governance Report. Committee agreed that the final letter should be agreed by the Chair of the Committee and the Chief Executive. They both confirmed their acceptance of the final letter and the wording under Uncorrected Misstatements enabled the District Auditor to remove any reference to the 'emphasis of matter' comments from the AGR that were referred to at the Committee.

ANNUAL GOVERNANCE STATEMENT

- 4.6 This Statement was the subject of a separate report to Committee on 28 September 2011. Although not required to be included in the Statement of Accounts, the final version was 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.

NOTICES OF OBJECTION

- 4.7 Two notices were received from a member of the public by the Audit Commission on 28 September 2011. There is the potential for objections, if not satisfactorily resolved to result in either the District Auditor issuing a qualified opinion or extending the audit period, in which case the statutory deadline would be missed, which could lead to further audit work (and cost) and possibly a qualified opinion. The objections were in respect of a request for information relating to two schools and over legal services payments. The Council provided the information which resulted in the objections being withdrawn on 30 September 2011. The Audit Opinion was then issued.

AUDIT OPINION AND PUBLICATION OF THE ACCOUNTS

- 4.8 The Audit process was completed with the release of the Audit Opinion on 30 September 2011. The final version of the Statement of Accounts was published on the Council web-site on 30 September 2011 and included the Audit Opinion (pages 12-16) which is at Appendix B. This gave an 'unqualified opinion' on the accounts with a qualified conclusion for securing economy, efficiency and effectiveness. The link to the document (181 pages) on the Council web-site is <http://www.wirral.gov.uk/my-services/council-and-democracy/budgets-and-spending/annual-accounts>
- 4.9 As in previous years a Summary Statement of Accounts Leaflet has been produced. The Audit Commission has now reviewed the Leaflet which is also available on the Council web-site.

CONCLUSIONS

- 4.10 Whilst there were late revisions to the accounts these did not change the financial position of the Council. The level of General Fund balance, reserves and provisions remained as reported to Cabinet on 23 June 2011.
- 4.11 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. Reference was 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 to seek improvements for the next year which will include an assessment of the options to secure additional staffing resources in order to ensure compliance with statutory requirements.

5.0 RELEVANT RISKS

- 5.1 There are none arising directly from this report. However the District Auditor did identify concerns in the AGR which if not addressed by the Council could lead to potential risks that the Council will not be able to meet its statutory requirements in respect of the Statement of Accounts. He also raised concerns relating to value for money, emanating from the highways and engineering services 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 which 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 did not change 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 AGR made reference to the adequacy of the level of staffing resources within the Financial Services Division. A further report will be brought to Committee on the actions being taken and options available.

9.3 There are no IT or Asset implications arising directly from this report.

10.0 LEGAL IMPLICATIONS

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

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.

FNCE/271/11

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

APPENDIX

Appendix A : Annual Governance Report : Final Position 2010/11 issued by Audit Commission on 30 September 2011.

Appendix B : Independent Auditor's report to the Members of Wirral Borough Council.

REFERENCE MATERIAL / SUBJECT HISTORY

Council Meeting	Date
Audit & Risk Management Committee Audit Commission Annual Governance Report – Merseyside Pension Fund Merseyside Pension Fund Accounts 2010/11 Audit Commission Annual Governance Report – Wirral Council Statement of Accounts 2010/11	28 September 2011

Annual Governance Report FINAL POSITION

Wirral Council Audit 2010/11

30 September 2011

- 1 This note updates my Annual Governance Report (AGR) to members of the Audit and Risk Management Committee at the meeting on 28 September 2011 and the supplement tabled at that meeting.

Summary of findings

- 2 I can now confirm that I will give an unqualified opinion on the accounts. I plan to give a qualified value for money conclusion. I can now confirm that I am able to give the certificate of completion of the audit. The table below sets out the final position.

Financial statements	
Unqualified audit opinion on Wirral Council	Yes ✓
Unqualified audit opinion on Merseyside Pension Fund	Yes ✓
Pre-audit statements free from material error	No x
Post-audit statements free from material error	Yes ✓
Weakness in internal control	Yes x
Modification to the Auditor's Report – Annual Governance Statement	No ✓
Value for money conclusion	
Unqualified conclusion	No x
Adequate arrangements	Yes ✓
Certificate	
Certificate that the audit is complete given	Yes ✓
Merseyside Pension Fund Annual Report	
Unqualified Opinion in the Pension Fund Annual Report	Yes ✓
Modification to the Opinion in the Pension Fund Annual Report	Yes x
Whole of Government Accounts certification	No x

Key: ✓ is positive; x denotes concerns/modification

Update on outstanding issues

- 3 On page 4 of the AGR (page 36 of your papers) I set out a number of issues that were still outstanding. I have updated the position below:

Outstanding issue	Position at 28 September 2011
1. Supporting information for the £9.5m deficit on revaluation of Property Plant and Equipment (PPE) assets disclosed on the face of the Comprehensive Income and Expenditure Statement (CIES)	The Council has amended the statements for £5.4m which leaves the balance of £6m as an unadjusted error. I have now audited these figures and can confirm I am giving an unqualified opinion. I consider that as the Council has noted the issue in the Letter of Representation and adequately disclosed at note 48 I do not need to include an explanatory paragraph or 'emphasis of matter' in my Auditor's Report.
2. Final adjustments relating to PPE disclosures and non-agreement between the ledger and asset system	All figures audited satisfactorily.
3. Review of information in the annual report/summary accounts to ensure consistency with the published accounts	We have not yet received any annual report/summary accounts and this is not covered by my Auditor's Report.
4. Final check of the amended statements and the annual report	We have completed our review of your version which was provided on 29 September 2011 and received your final version on 30 September 2011.
5. Completion of the review of Whole of Government Accounts (WGA) – deadline 30/09/2011	We have received the final invoice and completed our testing of the figures. As we were still completing our review of your final version of the statements till the end of the day on 30/09/2011 we will not certify the WGA pack by the deadline. Further work is required next week using the final statement of accounts.
6. Completion of review of the Annual Governance Statement (AGS).	The relevant sections have been amended in the statements provided 29/09/2011.

Letter of representation

- 4 The updated letters of representation have been provided by the Director of Finance.

Merseyside Pension Fund Annual Report

- 5 I am required to report to you if, in my opinion, the annual report does not reflect compliance with the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. The governance statement is not included in the annual report. However, the statement is available from the pension fund. Apart from this I have nothing to report in respect of the governance statement.

Certificate of completion of the audit

- 6 I am now able to give the certificate of completion of the audit as the Council has dealt with the issues raised in the two notices of objections to the accounts to the satisfaction of the objector. The objector is happy to progress further issues directly with the Council.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WIRRAL
BOROUGH COUNCIL**

Opinion on the Authority accounting statements

I have audited the accounting statements of Wirral Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Wirral Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Wirral Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Opinion on the pension fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2011 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Wirral Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance is responsible for the preparation of the pension fund's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the fund; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the pension fund's accounting statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of qualified conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In considering the Authority's arrangements for challenging how it secures economy, efficiency and effectiveness, I identified that the Authority is not able to provide information on activity and performance of the Highways and Engineering Services Procurement Exercise (HESPE) contract to determine whether it is receiving better value for the money spent.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, with the exception of the matter reported in the basis for qualified conclusion paragraph above, I am satisfied that in all significant respects Wirral Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Report by exception

The Audit Commission's guidance also requires me to report by exception on any other significant additional matters that come to my attention and which I consider to be relevant to proper arrangements to secure economy, efficiency and effectiveness in the use of resources. Such matters have come to my attention relating to significant weaknesses in:

- promoting and demonstrating the principles and values of good governance. I identified that the Constitution needs to be updated and Contract Procedure Rules have not been followed for term contracts. Also, an independent review of bullying and harassment makes a number of significant criticisms of individual officers and collective behaviour within and across the whole Authority and another independent review has concluded that Wirral's corporate governance arrangements were, and probably remain, inadequate. Without good governance, risk increases and priorities might not be achieved.
- managing risks and maintaining a sound system of internal control. I identified weaknesses in corporate arrangements for risk management, policies, procedures and internal control arising from whistleblowing concerns. There are also significant weaknesses in internal control in respect of assets which have continued for a number of years. Without sound arrangements risks cannot be managed to a reasonable level and resources may not be used effectively to deliver value for money.

Certificate

I certify that I have completed the audit of the accounts of Wirral Borough Council and Merseyside Pension Fund in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Michael Thomas
Officer of the Audit Commission,
Audit Commission,
Liverpool Office,
3rd Floor,
Millennium House,
60 Victoria Street,
Liverpool,
L1 6LD
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