

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

1 FEBRUARY 2012

SUBJECT	ANNUAL GOVERNANCE REPORT 2010/11 – ACTION PLAN UPDATE
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR STEVE FOULKES
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

1.1. The Audit and Risk Management Committee considered the Audit Commission Annual Governance Report and action plan on 28 September 2011. This report updates Committee on progress in implementing the plan.

2.0 RECOMMENDATION

2.1 That the progress on delivering the action plan be noted.

3.0 REASON FOR RECOMMENDATION

3.1 The report seeks to update Committee on implementing the actions set out in the Annual Governance Report action plan.

4.0 BACKGROUND AND KEY ISSUES

4.1 The District Auditor presented his Annual Governance Report to this Committee on 28 September 2011. This covered the Council Statement of Accounts 2010/11, which received an unqualified opinion, and consideration of key issues facing the Council in the future. The report identified a number of recommendations and an action plan to deliver the recommendations.

PROGRESS REPORT

4.2 The plan as at 28 September 2011 is appended with progress made:-

4.3 Recommendation R1 – Members should consider whether to amend the statements for unadjusted errors.

This was completed with the publication of the Statement of Accounts 2010/11 on 30 September 2011.

- 4.4 Recommendation R2 – Ensure that assets are valued and reported on a consistent, supported basis in line with International Financial Reporting Standards (IFRS) classifications.

A series of meetings between the Departments of Law, HR and Asset Management and Finance have taken place with work underway on the asset valuations for 2011/12. The conditions of engagement with the Council Valuer have been revised to include the specific reference to this recommendation and action point.

- 4.5 Recommendation R3 – Ensure that recognised gains and losses reported in the statement and through the ledger are consistent with supporting information and reported consistently throughout the main statements and reserves.

Initial work on examining consistency within the accounts has commenced with the identification of reconciling items. Further work is to be undertaken in the coming months.

- 4.6 Recommendation R4 – Ensure that the plans to maintain control over the classification of lifecycle costs in Private Finance Initiative (PFI) schemes are put in place and monitored.

Council officers met with Semperian in September 2011 to discuss the information required to identify and monitor lifecycle costs. The company has given an assurance that the information will be provided and it is understood that its production is in progress.

- 4.7 Recommendation R5 – Vehicles, plant and equipment (VPE) – strengthen controls over verification of VPE assets including verifying that assets in the register exist and are in use as well as confirming that assets in use are recorded in the register.

A number of tasks have commenced including the obtaining of vehicle lists from the Insurance Section and Integrated Transport Unit. All schools have been requested to supply information and a number have responded to confirm specific vehicle details. Further work is planned with regards to Parks and Countryside Service and the Integrated Transport Unit to finalise VPE details.

- 4.8 Recommendation R6 – Quality Assurance of the Accounts – strengthen controls to ensure errors in the financial statements are minimised; there must be adequate resources and contingency to enable a robust review of the accounts approved by the Director of Finance.

Work undertaken is covered in a separate report on this agenda.

- 4.9 Recommendation R7 – Ensure that the accounts production process has contingency time and quality assurance time built into it, to reduce the number of avoidable errors in the statements presented for audit.

Work undertaken is covered in a separate report on this agenda.

- 4.10 Recommendation R8 – Ensure that the working papers are produced to support the Statement of Accounts and that these working papers reconcile to the accounts and supporting systems, and provide the agreed information. This would give the Council greater assurance that the financial statements are accurate, reduce the time taken to complete the audit and reduce the volume of queries to officers during the audit.

Work undertaken is covered in a separate report on this agenda.

- 4.11 Recommendation R9 – Ensure there are robust plans in place to ensure financial resilience going forward, and that the Change programme is delivered.

The Budget Projections reports to Cabinet continue to regularly assess financial resilience. The delivery of the Strategic Change Programme will be considered at Budget Cabinet on 20 February 2012.

- 4.12 Recommendation R10 – Ensure there is strong leadership and management in DASS during the changeover of Director post to ensure that the overspending is managed.

The new Director took up his post in January 2012. Work continues on the management of the departmental pressures to mitigate any potential overspend by the end of the financial year.

- 4.13 Recommendation R11 – Ensure there are robust systems in place to manage and monitor performance to assess Value for Money.

Further work on value for money will be developed across the Council with particular reference to the Audit Commission report on the Highways and Engineering Services contract.

5.0 RELEVANT RISKS

- 5.1 There are none arising directly from this report. The Annual Governance Report from the Audit Commission in September 2011 identified a number of concerns. If these are not addressed through specific actions there is a risk that the Council will not be able to meet its statutory requirements in respect of the Statement of Accounts.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 The only alternative is to not implement the recommendations in the action plan. This has been ruled out as it would likely lead an increased risk that the Statement of Accounts would not be produced and result in a qualified Audit Opinion.

7.0 CONSULTATION

- 7.1 Consultation has been undertaken with other Council departments and Semperian (in respect of PFI) to progress the actions.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 There are no implications arising directly from this report.

9.0 RESOURCE IMPLICATIONS

9.1 Other than those referred to within section 4 of this report in respect of individual actions there are no specific financial, staffing, IT or asset implications arising from this report.

10.0 LEGAL IMPLICATIONS

10.1 The Council has a legal duty to produce the annual Statement of Accounts by 30 September.

11.0 EQUALITIES IMPLICATIONS

11.1 There are non implications arising directly from this report.

11.2 An Equality impact assessment (EIA) is not required.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are no implications arising directly from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are no implications arising directly from this report.

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APPENDIX

Appendix A: Annual Governance Report 2010/11: Action Plan

SUBJECT HISTORY

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

Annual Governance Report (AGR) 2010/11 – Action plan

Page no. in AGR	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
5	R1 - Members should consider whether to amend the statements for the unadjusted errors. If you decide not to amend, please tell me why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter	3				
10	R2 - Ensure that assets are valued and reported on a consistent, supported basis in line with IFRS classifications.	2	Reg Huyton Finance Tony Simpson Law, HR and Asset Management	Yes	Work is undertaken each year to value the Councils assets. This will involve looking across asset categories to ensure consistency and compliance with IFRS classifications.	March 2012

Page no. in AGR	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
10	R3 - Ensure that recognised gains and losses reported in the statements and through the ledger are consistent with supporting information and reported consistently throughout the main statements and reserves.	2	Jenny Spick Finance	Yes	During 2011/12 working papers to support the Statement of Accounts will be developed to include verifications and cross referencing of figures within the statements.	June 2012
10	R4 - Ensure that the plans to maintain control over the classification of lifecycle costs in PFI schemes are put in place and monitored	2	Reg Huyton Finance Tom Quigley Children and Young Peoples Department	Yes	In preparation for the 2011/12 Statement of Accounts details will be sort from our PFI schools contractor. The aim of this is to identify and monitor lifecycle costs.	Ongoing
13	R5 - Vehicles, plant and equipment (VPE) – strengthen controls over verification of VPE assets including verifying assets in the register exist and are in use as well as confirmation that assets in use are recorded in the register.	3	Reg Huyton and Jenny Spick Finance All Council Departments	Yes	Procedures will be developed and implemented to verify VPE assets. This will involve seeking assurances from all Council departments.	June 2012
13	R6- Quality assurance of the accounts – strengthen controls to ensure errors in the financial statements are minimised; there must be adequate resources and contingency to enable robust	2	Tom Sault Finance	Yes	The arrangements for quality assurance will be reviewed and updated. For 2011/12 we will look to increase the level of resources dedicated to this aspect of the production of the	June 2012

review of the accounts approved by the Director of Finance.

Statement of Accounts.

Page no. in AGR	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
17	R7 - Ensure that the accounts production process has contingency time and quality assurance time built into it, to reduce the number of avoidable errors in the statements presented for audit.	2	Tom Sault Finance	Yes	Quality Assurance time is always built into the timetable. For 2011/12 closedown it is important that this time is realised and effectively used.	June 2012
17	R8 - Ensure that working papers are produced to support the Statement of Accounts, and that these working papers reconcile to the accounts, supporting systems and provide the agreed information. This would give the Council greater assurance that the financial statements are accurate, reduce the time taken to complete the audit and reduce the volume of queries to officers during the audit.	2	Jenny Spick and Group Accountants Finance	Yes	For the 2011/12 work will be undertaken to develop working papers that link through to the Statement of Accounts through the use of electronic files/spreadsheets and the Council financial package.	June 2012

Page no. in AGR	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
21	R9 - Ensure there are robust plans in place to ensure financial resilience going forward, and that the change Programme is delivered.	3	Chief Executive and Directors	Yes	Budget predictions are reported to Cabinet and the Change programme is regularly monitored. Work is currently underway to examine options to improve financial resilience through the budget process for 2012/13 and the Medium Term Financial Plan.	Ongoing
21	R10 - Ensure there is strong leadership and management in DASS during the changeover of the Director post to ensure that the overspending is managed	3	Chief Executive	Yes	The post is currently out to advert with a closing date of 14 th September 2011.	March 2012
21	R11 - Ensure there are robust systems in place to manage and monitor performance to assess Value for Money	3	Chief Executive and Directors	Yes	The Councils systems for managing and monitoring Value for Money will be developed in 2011/12.	Ongoing