

# WIRRAL COUNCIL

## AUDIT & RISK MANAGEMENT COMMITTEE

1 FEBRUARY 2012

<b>SUBJECT</b>	<b>STATEMENT OF ACCOUNTS 2011/12: REVIEW OF ARRANGEMENTS</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>NO</b>

### 1.0 EXECUTIVE SUMMARY

1.1. This report provides details of the actions being taken to improve the completion of the accounts and the production of the Statement of Accounts for 2011/12.

### 2.0 RECOMMENDATION

2.1 That the progress and plans to improve the completion of the Statement of Accounts for 2011/12 be noted.

### 3.0 REASON FOR RECOMMENDATION

3.1 The report is in response to Members request for information on the improvements being made to complete the 2011/12 Accounts in response to the Annual Governance Report on the 2010/11 Accounts.

### 4.0 BACKGROUND AND KEY ISSUES

4.1 Audit and Risk Management Committee on 28 September 2011 considered the Annual Governance Report 2010/11 prepared by the Audit Commission and the Statement of Accounts for 2010/11. These reports highlighted a number of issues with the 2010/11 closedown and set out actions to facilitate improvements in the closure process for 2011/12.

4.2 Audit and Risk Management Committee on 29 November 2011 received a final report on the Statement of Accounts and final Annual Governance Report 2010/11. A further report on the approach being adopted to improve and strengthen arrangements for the completion of the 2011/12 Statement of Accounts was to be provided to this meeting. This report details the key actions being taken and planned to be taken relating to the closedown process for 2011/12.

## AUDITORS KEY FINDINGS ON THE 2010/11 FINANCIAL STATEMENTS

- 4.3 The Annual Governance Report highlighted a number of areas of audit risk which, if not addressed, could prevent the Council from preparing a Statement of Accounts of the required quality and within the expected timescales. The risks can be grouped into three areas:
- Quality Assurance.
  - Capacity.
  - Working Papers.
- 4.4 The Audit Commission on 15 December 2011 issued a national report on Auditing the Accounts 2010/11. This covered the timeliness and quality of financial reporting by Councils and the key points, and their relevance to Wirral Council, are:-
- 389 out of 457 bodies (85%) published audited accounts by 30 September 2011. Wirral published on 30 September 2011 which was the statutory deadline.
  - Of 444 Audit opinions issued, by the date of the report, only 1 had been qualified. Wirral was an unqualified opinion.
  - 66% of accounts were subject to material adjustments. Wirral had issues over property assets, cash flow and grants. However, the outcome of the Audit did not change the financial position.
  - Four Value for Money qualifications were issued: Redcar and Cleveland, South Derbyshire, Stoke on Trent and Wirral. For Wirral the reference was in respect of the Highways and Engineering Services) contract which will be the subject of a further report from the Commission.

## ACTIONS BEING TAKEN TO ADDRESS THE KEY MESSAGES

### Quality Assurance

- 4.5 The Audit Commission in their assessment of the Statement of Accounts 2010/11 raised concerns over the strength of controls in place to ensure that errors in the financial statements are minimised. The lateness in the production of the Statement of Accounts resulted in insufficient time for a review of the working papers and final figures. As a consequence the quality of the Accounts presented was below that required. Quality Assurance has always been recognised as a key element of the process and is built into the final accounts closedown timetable.
- 4.6 For the 2011/12 final accounts assurance is being strengthened through the introduction of a framework for quality assurance of the final accounts process and the actual Statement of Accounts. This framework includes a number of actions.
- 4.7 **Action:** A framework for Quality Assurance of the final accounts process and Statement of Accounts is developed and implemented.

## Capacity

- 4.8 Sufficient staff, of the correct quality are essential to the successful production of the Accounts. In 2010/11 considerable pressures on staff existed with a number of competing demands on staff time which included the introduction of International Financial Reporting Standards (IFRS), a complex 2011/12 Budget setting process and a number of staff changes. These contributed to delays in achieving tasks in the closedown process and the meeting of deadlines agreed with the Audit Commission in the Audit Plan for 2010/11.
- 4.9 To address capacity issues, workloads in the Financial Services Division have been reviewed. Resource requirements have been considered and the requirements to complete the Accounts assessed. This has secured an additional resource to support the 2011/12 closedown. A dedicated member of staff to review, plan and monitor the final accounts process under the direction of the Chief Accountant has been identified from an internal realignment of roles and responsibilities. The change will provide the capacity to make improvements to working papers, as well as supporting the closedown and audit process.
- 4.10 Considerable problems in 2010/11 stemmed from slippage in the closedown timetable which reduced the time available to sufficiently check the Statement of Accounts submitted for audit. For 2011/12 the timetable has been reviewed with the responsibilities assigned to specific officers similarly reviewed.
- 4.11 The following summarises the key dates in preparing the 2011/12 Accounts:-

Target date	Task
02 April 2012	Dual year posting starts
13 April 2012	Dual year posting ends
19 April 2012	Deadline for identification of accruals
27 April 2012	Departmental Capital finalised
11 May 2012	Departmental Revenue finalised
01 June 2012	Draft Statement of Accounts produced
06 - 13 June 2012	Quality Assurance of Statement of Accounts
29 June 2012	Production of draft Statement of Accounts 2011/12

- 4.12 The timetable always includes a period of contingency to compensate for a small amount of slippage in the programme and a period for quality assurance to minimise the errors in the Statement of Accounts. During this period, the weekly task reminders and monitoring arrangements for completion will be implemented through the additional capacity. Inevitably there will be times when un-planned work pressures occur with a potential impact on meeting the timetable. All those involved will be instructed to highlight these as soon as they become apparent to allow action to be taken to address the issues.
- 4.13 **Action:** Ensure adequate resources are identified and used to support the achievement of the 2011/12 closedown plan.

## **Working Papers**

- 4.14 The District Auditor in 2010/11 highlighted that working papers were not presented for audit by the required date, some were not to standard although the Auditors did note that there was improvement in some and that a number were of a good standard.. Many of the problems highlighted have not brought into question the underlying financial records of the Council. Again the issues arose primarily through time pressures at the end of the closedown process which resulted in the limited quality assurance in reviewing the Statement of Accounts and the supporting working papers submitted for audit.
- 4.15 To address the issues raised in 2010/11 the Council is working with the Commission to identify the working paper requirements 2011/12. This will enable better advance preparation of working papers to the required standards. This joint working will also review the 2010/11 papers that were not to standard to enable this to be rectified and ensure that the difficulties experienced are not repeated in 2011/12.
- 4.16 A further action underway in the area of working papers is an examination of financial system to increase the automation of the production of key supporting information. The aim is to standardise and accelerate the production of working papers. The Closedown Procedure Manual, which details the procedures and requirements for those involved in the process, is annually updated and is being revised to incorporate further details of working paper standards. This will also be highlighted in all training sessions.
- 4.17 **Action:** Collaborative working with the Audit Commission to improve the production of working papers in the 2011/12 closedown.

## **Members**

- 4.18 The responsibility for the Statement of Accounts belongs to the Council. The Director of Finance, Departmental Directors, Financial Services Division and budget holders all have specific roles and responsibilities. Under the Council Constitution Audit and Risk Management Committee approves the Accounts.
- 4.19 The Accounts and Audit (England) Regulations 2011 require the Director of Finance to sign and date the Statement of Accounts by 30 June prior to the commencement of the audit. Audit and Risk Management Committee must approve the accounts by 30 September with the Accounts also having to be published by this date.
- 4.20 The intention is to repeat the Member briefing session on the Accounts. This will be arranged for July 2012 and will cover the pre-audit Accounts. Whilst providing the legal background and overview of the Accounts the session will give details of the financial highlights and enable Members to examine revenue and capital spending, borrowing and cash flow activities. Assurance is the key role of Members in this session and they should seek to satisfy themselves that the accounts have been prepared properly. Further details will be supplied on this role in time for the session.

4.21 **Action** : arrange briefing session for Members for July 2012.

## **5.0 RELEVANT RISKS**

5.1 There are none arising directly from this report. The Annual Governance Report produced by the Audit Commission in September 2011 did identify 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 statutory requirements in respect of the Statement of Accounts.

## **6.0 OTHER OPTIONS CONSIDERED**

6.1 The report sets out actions taken to improve the completion of the Statement of Accounts for 2011/12. The other option is to continue with the present procedures and process which is unlikely to produce the desired improvements.

## **7.0 CONSULTATION**

7.1 The Council and the Audit Commission are working together to identify areas of improvement in the completion of the Accounts which will involve staff across all Council departments.

## **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 The 2011/12 Accounts will be completed within existing, but re-aligned, staffing resources and making greater use of the available IT systems.

## **10.0 LEGAL IMPLICATIONS**

10.1 The Council has a legal duty to publish the Statement of Accounts by 30 September 2012.

## **11.0 EQUALITIES IMPLICATIONS**

11.1 There are no 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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## REFERENCE MATERIAL

Auditing the Accounts 2010/11 : - the Audit Commission - 15 December 2011.

## SUBJECT HISTORY

<b>Council Meeting</b>	<b>Date</b>
Audit & Risk Management Committee Audit Commission Annual Governance Report – Wirral Council Statement of Accounts 2010/11	28 September 2011
Audit & Risk Management Committee Statement of Accounts and Final Annual Governance Report 2010/11	29 November 2011