



The Audit Plan for Wirral Council

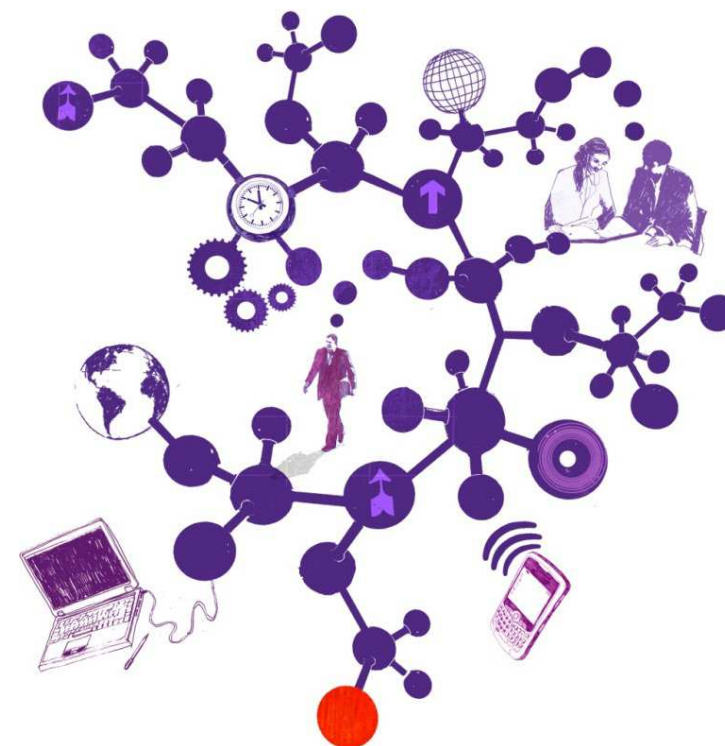
Year ended 31 March 2014

May 2014

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Financial Position

- The Council's financial position remains challenging. Plans to deliver a balanced budget in 2013/14 included a requirement to secure savings of £48.34 million.
- Month 10 monitoring reports set out that savings of £37.16million had been delivered and forecast an underspend of £966,000 for 2013/14.

2. Future Council

- The Council have commenced a full review into the structure, design and functions of the Council in order to inform proposal to remodel the organisation.
- The review is intended to transform the Council, help deliver the significant savings targets whilst ensuring that resources are used effectively to achieve its priorities and achieve desired outcomes for local residents and partners.

3. Medium Term financial planning

- The Council has in place a medium term financial strategy (MTFS) 2014 – 2017. The MTFS sets out a continuing challenging financial position with a forecast funding deficit of some £83 million by 31 March 2017.
- Currently, £39 million of the required savings have been agreed with £44 million remaining to be identified for 2015/16 and 2016/17.

4. Corporate Priorities

- The Council approved a new Corporate Plan in March 2013 following extensive public consultation.
- The new Corporate Plan was subsequently "refreshed" in December 2013 and now covers the period 2014 – 2016. A key aim is to ensure that the priorities identified in the plan are underpinned by a sustainable budget.

5. Responding to changes or transfers of responsibilities to Local Government

- From 1 April 2013 the Council took on new responsibilities including Public Health, Business Rates Retention and Local Council Tax Support. These changes present both opportunities and challenges for the Council



Our response

- We will continue to monitor the financial position of the Council to inform our financial statements opinion and value for money conclusion.
- We will review the Council's performance against the 2013/14 budget, including consideration of performance against the savings plan

- We will monitor the progress and impact of the transformation project with particular emphasis on any organisational changes and the identification and achievement of financial savings.

- We will assess the mechanisms the Council has in place to update the Medium Term Financial Strategy going forward
- We will carry out a review of financial resilience and the sustainability of the Council's position in the light of the challenges it faces.

- We will review your arrangements for delivering corporate priorities and managing performance.

- We will maintain a watching brief over the changes to the Council's arrangements.
- Review of the joint plan prepared by the Council with Wirral CCG and the Health and Wellbeing Board for the transformation of adult health and social care services through the Integrated Transformation Fund.

Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

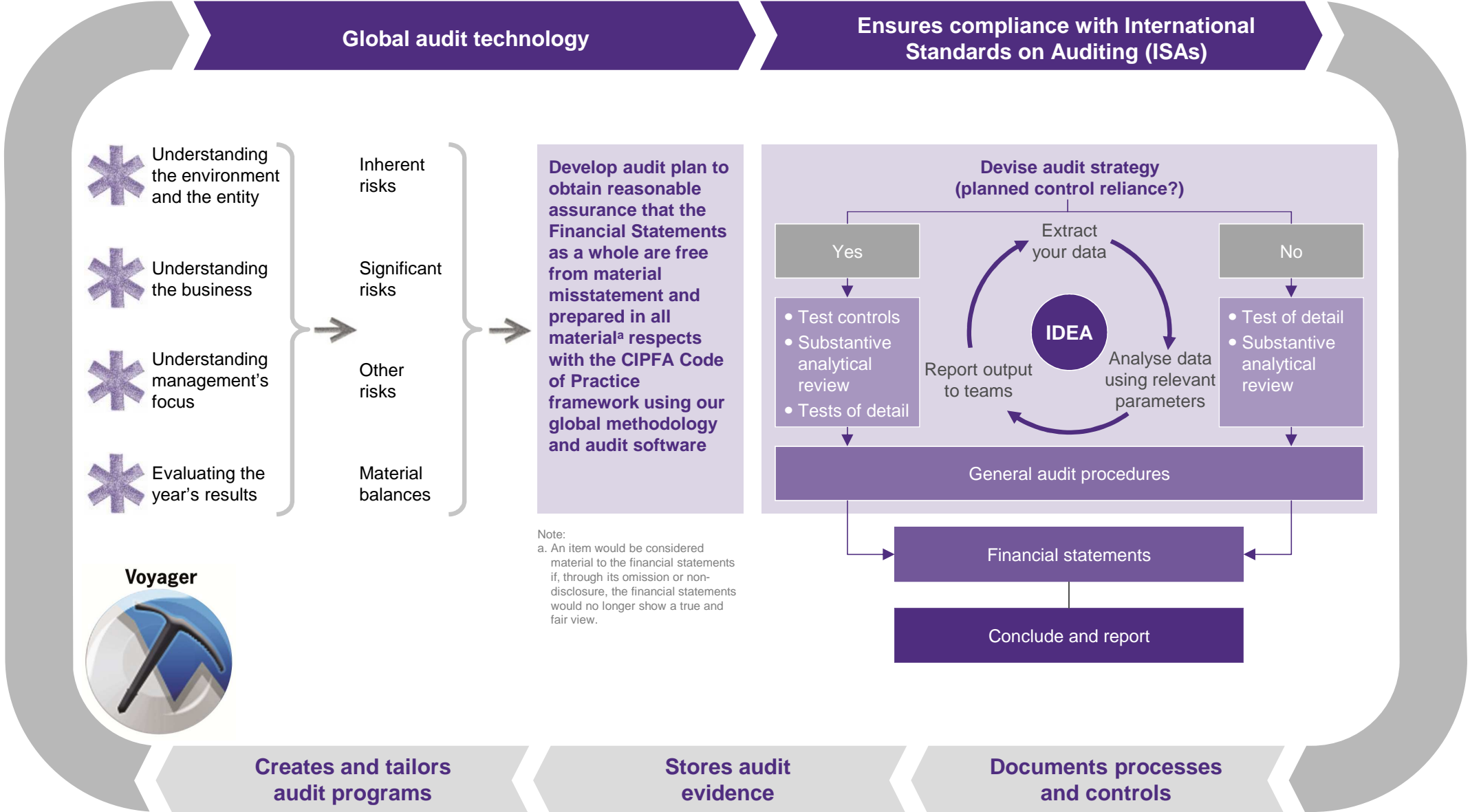
Developments and other requirements

<p>1. Financial reporting</p> <ul style="list-style-type: none"> • Changes to the CIPFA Code of Practice • Clarification of Code requirements around PPE valuations • Changes to NDR accounting and provisions for business rate appeals • Transfer of assets to Academies 	<p>2. Legislation</p> <ul style="list-style-type: none"> • Local Government Finance settlement • Welfare reform Act 2012 	<p>3. Corporate governance</p> <ul style="list-style-type: none"> • Annual Governance Statement (AGS) • Explanatory foreword • The Council worked with the LGA through a voluntary Improvement Board during 2013-14. 	<p>4. Pensions</p> <ul style="list-style-type: none"> • The impact of 2013/14 changes to the Local Government pension Scheme (LGPS) 	<p>5. Partnership working</p> <ul style="list-style-type: none"> • The Council is a key player in the Combined Authority and Local Enterprise Partnership. 	<p>6. Other requirements</p> <ul style="list-style-type: none"> • The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion • The Council completes grant claims and returns on which audit certification is required
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Our response

<p>We will ensure that</p> <ul style="list-style-type: none"> • the Council complies with the requirements of the CIPFA Code of Practice and business rate appeals through discussions with management and our substantive testing • schools are accounted for correctly and in line with the latest guidance 	<ul style="list-style-type: none"> • We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate 	<ul style="list-style-type: none"> • We will review the arrangements the Council has in place for the production of the AGS • We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge of the Council and its activities during 2013-14. • We will consider progress against the actions agreed with the Improvement Board in our overall review of governance arrangements. 	<ul style="list-style-type: none"> • We will review how the Council dealt with the impact of the 2013/14 changes through our meetings with senior management 	<ul style="list-style-type: none"> • We will keep a watching brief on the role of the Combined Authority and the LEP and their relationship with the achievement of the Council's priorities. 	<ul style="list-style-type: none"> • We will carry out work on the WGA pack in accordance with requirements • We will certify grant claims and returns in accordance with Audit Commission requirements
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Our audit approach



Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	Work completed to date <ul style="list-style-type: none">• Review and testing of revenue recognition policies Audit Coverage: <ul style="list-style-type: none">• Testing of material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	Work completed to date <ul style="list-style-type: none">• Review of accounting estimates, judgements and decisions made by management Audit Coverage: <ul style="list-style-type: none">• Testing of journal entries• Review of unusual significant transactions

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgement, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed during interim visit	Further work planned
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> Documented and identified the processes and key controls in the operating expenses cycle Walkthrough of controls to confirm our understanding Early testing of a sample of operating expenses 	<ul style="list-style-type: none"> Further detailed review and testing of year end accruals and creditor balances including confirmation that balances due have been settled after the year-end "Cut – off" testing to obtain assurance that creditors have been accounted for in the correct financial year
Employee remuneration	Employee remuneration accrual understated	<ul style="list-style-type: none"> Documented and identified the processes and key controls in the employee remuneration cycle Walkthrough of controls to confirm our understanding 	<ul style="list-style-type: none"> Review of payroll reconciliations including at the year end Substantive testing of payments made to employees in the 2013-14 financial year Use of analytical techniques to compare expected payroll costs with actual
Welfare Expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> Documented and identified the processes and key controls in the Welfare expenditure cycle Walkthrough of controls to confirm our understanding 	<ul style="list-style-type: none"> Agreement to accounts and supporting notes. Housing Benefit Subsidy Claim testing using Audit Commission HBCOUNT approach.
Property, Plant & Equipment (PPE)	PPE activity not valid	<ul style="list-style-type: none"> Documented and identified the processes and key controls for property, plant and equipment transactions Walkthrough of controls to confirm our understanding 	<ul style="list-style-type: none"> Sample testing of PPE movements during the year. Sample test of PPE additions and disposals, including compliance with capitalisation requirements. Testing of capital expenditure to confirm adherence to the Authority's accounting policies and accurate disclosure in the financial statements.

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work to be completed during interim visit	Further work planned at post statements visit
Property, Plant & Equipment	Revaluation measurement not correct	<ul style="list-style-type: none">Review of the arrangements made by management to commission an appropriate valuation of the Authority's asset base and the steps taken to ensure that valuations obtained are correctly reflected in the Authority's asset register and accounted for in the financial statements.	<ul style="list-style-type: none">Review of the analysis which demonstrates that the value of assets in the Council's balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014.Detailed testing of accounting entries posted to reflect valuations obtained.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed with findings	Conclusion
Internal audit	<p>We have reviewed internal audit's overall arrangements in accordance with auditing standards. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also considered internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We are completing walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work to date has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work to date has not identified any weaknesses which impact on our audit approach.</p>
Review of information technology controls	<p>Our information systems specialist will perform a high level review of the general IT control environment, as part of the overall review of the internal controls system. We have also performed a follow up of the issues that were raised last year.</p>	<p>We will report at a future Audit and Risk Management Committee should our work identify any material weaknesses which are likely to adversely impact on the Council's financial statements.</p>
Journal entry controls	<p>We are reviewing the Council's journal entry policies and procedures as part of determining our journal entry testing strategy.</p>	<p>Our work to date has not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p>

Value for money

Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

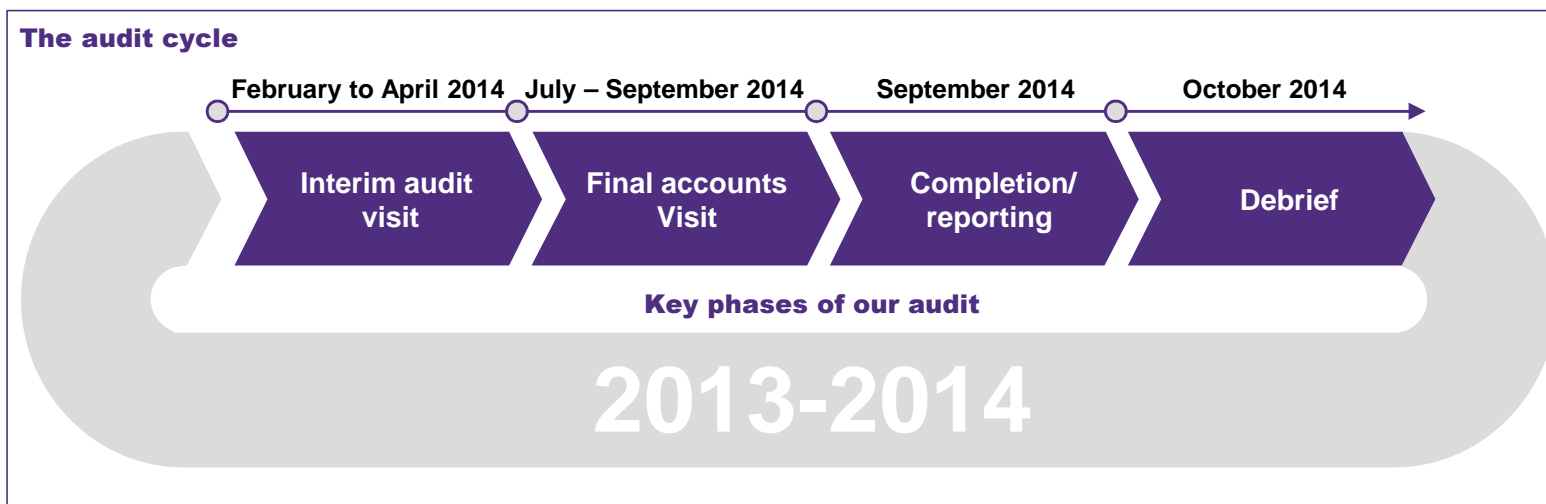
VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- We will follow up the progress made on the issues raised in our 2012-13 work and update our understanding of the Council's current position. Our findings will be reflected in our final conclusion.
- Assessment of the updates to revenue budgets and the Medium Term Financial Strategy 2014 – 2017 in light of the most recent local government finance settlement and the comprehensive spending review
- Review the Council's joint working arrangements with its partners to implement the Better Care Fund.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

Key dates



Date	Activity
January - March 2014	Planning
February - April 2014	Interim site visit
June 2014	Presentation of audit plan to Audit and Risk Management Committee
July – September 2014	Year end fieldwork
September 2014	Audit findings clearance meeting with Director of Finance
September 2014	Report audit findings to those charged with governance - Audit and Risk Management Committee
September 2014	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	211,680
Grant certification	40,400
Total fees (excluding VAT)	252,080

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Fees for other services

Service	Fees £
Regional growth fund (RGF)	1,950

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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