

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

25 NOVEMBER 2014

SUBJECT	STATEMENT OF ACCOUNTS 2013/14
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF RESOURCES
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR PHIL DAVIES
KEY DECISION	YES

1.0 EXECUTIVE SUMMARY

- 1.1. The report updates Committee on the conclusion of the audit process for 2013/14 including the Value for Money Action Plan that has been developed since the Audit Findings Report was finalised with the Council's external auditors in September.

2.0 BACKGROUND AND KEY ISSUES

INTRODUCTION

- 2.1 The Council Constitution allocates responsibility for the approval of the Statement of Accounts to the Audit & Risk Management Committee. The draft Statement for 2013/14 was published on 30 June 2014 and was then subject to audit. Grant Thornton, the Councils' external auditors, presented their findings, within the Audit Findings Report (AFR) to this Committee on 17 September 2014. The Statement of Accounts 2013/14 was published on 30 September 2014 – the statutory deadline for publication – and included the Merseyside Pension Fund (MPF) accounts as Wirral Council is the Administering Authority for MPF.

AMENDMENTS TO THE STATEMENT OF ACCOUNTS

- 2.2 Following the Committee on 17 September minor amendments were requested to be made to the Statement of Accounts by Grant Thornton. These related to the cash flow statement and note 28(Amounts Reported for Resources Allocation Decisions). The meeting was informed of one amendment highlighted by the Auditor and detailed in the Audit Findings Report.
- 2.3 The final published Statement of Accounts also incorporated the Annual Governance Statement and Action Plan for 2013/14 approved at the Committee meeting on 17 September. A copy can be viewed on the Council's website - <http://www.wirral.gov.uk/my-services/council-and-democracy/budgets-and-spending/annual-accounts>

AUDITOR'S REPORT AND OPINION

- 2.4 Committee on 17 September 2014 considered the Audit Findings Report issued by Grant Thornton and, given that work was on-going; delegated to the Chair of the Committee and the Director of Resources authority to finalise the Statement of Accounts 2013/14.
- 2.5 The Audit Opinion was issued on 29 September 2014 and is appended. This stated that the financial statements give a true and fair view of the financial position of the Council at 31 March 2014 and of its expenditure and income for the year and that they have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.
- 2.6 Besides commenting on the Financial Statements Grant Thornton also commented on the Council's value for money arrangements. Grant Thornton reported an unqualified VFM conclusion for 2013/14. In 2012/13 an adverse conclusion on the Councils' arrangements for securing economy, efficiency and effectiveness was issued.
- 2.7 The Value for Money Report set out further details on the assessment. It also set out that while progress had been made since the previous year the scale of the financial challenge facing the Council meant that issues still needed to be tackled. Grant Thornton stated that having already delivered substantial financial savings, the Council faces a significant challenge to address this budget gap and to meet its statutory responsibilities.
- 2.8 The Audit Certificate issued to formally conclude the audit has been issued. The Whole of Government Accounts return was completed by the October deadline.

VALUE FOR MONEY ACTION PLAN

- 2.9 The Value for Money Report received contained a number of recommended actions which Grant Thornton believe will improve the Councils financial controls or give consideration to the key issues facing the Council in the future. These recommendations have been agreed and an Action Plan developed to bring improvements in the areas identified. This is detailed at appendix 2.

3.0 RELEVANT RISKS

- 3.1 Grant Thornton identified a number of concerns in their Value for Money Report. If not addressed by the Council through the Action Plan then there are potential risks that the Council will not be able to meet its value for money requirements and will also affect its financial resilience.

4.0 OTHER OPTIONS CONSIDERED

4.1 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.

5.0 CONSULTATION

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

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising directly from this report.

7.0 RESOURCE IMPLICATIONS

7.1 The amendments to the Statement of Accounts 2013/14 did not change the level of General Fund balance or reserves at 31 March 2014 which remain as reported to Cabinet on 7 July 2014.

7.2 There are no IT or asset implications arising from this report.

8.0 LEGAL IMPLICATIONS

8.1 It was a legal requirement to publish the Statement of Accounts by 30 September 2014.

9.0 EQUALITIES IMPLICATIONS

9.1 There are no equality implications arising directly from the production of the Statement of Accounts so an Equality Impact Assessment (EIA) is not required. If requested then arrangements can be made to provide the Accounts in both different languages or formats.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 RECOMMENDATIONS

12.1 That the Independent Auditors Report be noted.

12.2 That progress on delivering the actions identified in the Audit Findings Report Action Plan be reported to this Committee.

13.0 REASON FOR RECOMMENDATIONS

13.1 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.

REPORT AUTHOR: Tom Sault
Designation Head of Financial Services
Telephone 0151 666 3407
Email tomsault@wirral.gov.uk

APPENDICES

- 1 Independent Auditor's Report issued by Grant Thornton 25/29 September 2014.
- 2 Audit Findings Report Action Plan

Note : Statement of Accounts 2013/14 - as the document is in excess of 180 pages it has not been appended but can be accessed via the Council web-site.

BACKGROUND PAPERS

Audit Findings Report for Wirral Council issued by Grant Thornton September 2014.
Value for Money Report issued by Grant Thornton September 2014.

REFERENCE MATERIAL / SUBJECT HISTORY

Council Meeting	Date
Audit & Risk Management Committee Grant Thornton Audit Findings Report - Merseyside Pension Fund Merseyside Pension Fund Accounts 2013/14 Grant Thornton Audit Findings Report - Wirral Council Statement of Accounts 2013/14 Grant Thornton Report on Value for Money	17 September 2014
Cabinet Statement of Accounts 2013/14	9 October 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WIRRAL COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Wirral Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Wirral 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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us 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 financial statements sufficient to give reasonable assurance that the financial 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 Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Wirral Council as at 31 March 2014 and of its expenditure and income 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 2013/14 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our 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 2013, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Wirral Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of Wirral Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Michael Thomas

Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Royal Liver Building
Liverpool
L3 1PS

29 September 2014

The signed version of this report is available from the Director of Resources for Wirral Council, PO Box no.2, Treasury Building, Cleveland Street, Birkenhead, Wirral CH41 6BU

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WIRRAL COUNCIL

Opinion on the Merseyside pension fund financial statements

We have audited the Merseyside pension fund financial statements of Wirral Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The Merseyside pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Wirral 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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Director of Resources is responsible for the preparation of the Authority's Statement of Accounts, which includes the Merseyside pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Merseyside pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial 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 Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Foreword and Financial Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the Merseyside pension fund financial statements

In our opinion the Merseyside pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2014 and the amount and disposition of the

- fund's assets and liabilities as at 31 March 2014, 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 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the foreword and financial report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Mike Thomas
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

25 September 2014

The signed version of this report is available from the Director of Resources for Wirral Council, PO Box no.2, Treasury Building, Cleveland Street, Birkenhead, Wirral CH41 6BU

AUDIT FINDINGS REPORT ACTION PLAN

Appendix 2

This appendix summarises the significant recommendations identified during the 2013/14 audit that were set out in the report on Value for Money.

Area for Consideration	Recommendation	Responsibility	Timescale	Management Response
<p>Key indicators of performance</p>	<p>Continued action is required to address the issue of historic arrears and the Council needs to ensure that the management of current debt is also robust.</p>	<p>Malcolm Flanagan</p>	<p>Ongoing throughout 2014/15 but effectiveness will be determined by outturn for 2014/15 in June 2015</p>	<p>For 2014/15 the cumulative position will be monitored against both original targeted debt and in addition newer debt will be examined to enhance the process of assessing progress. Newly created debt, (newly invoiced) will be under scrutiny in 2014/15 as well. It is therefore anticipated collection levels in respect of 2014/2015 will exceed those in respect of the previous year.</p>
	<p>The Council need to closely monitor sickness absence rates and take appropriate action to work toward achieving the target of 8 days.</p>	<p>Chris Hyams</p>	<p>Ongoing throughout 2014/15</p>	<p>Sickness levels will be closely monitored through the enhanced self serve system. All managers have access to the system that contains employee</p>

				<p>related information.</p> <p>Detailed action is as follows:</p> <ol style="list-style-type: none"> 1. Absence data and trigger reports available to all managers on their desktop via self serve. 2. Monthly People management reports to DMTs to include absence information. 3. Specific support to managers to manage long-term complex cases. 4. Evidence of the absence management policy being applied resulting in a number of cases of absence capability termination of employment. 5. The above action is within the positive attendance management policy with support for staff via the employee assistance programme, health and well being programme.
Strategic Financial Planning	Ensure that key plans and strategies, including	Vivienne Quayle	March 2015	A refreshed Corporate Plan will be considered

	<p>the Corporate Plan and MTFS are updated to reflect the outcome of the Future Council Programme.</p> <p>The Council should develop savings plans for each of the three years covered by the MTFS and set these out within the strategy.</p>	<p>Vivienne Quayle supported by Senior Management</p>	<p>March 2015</p>	<p>by Full Council on 8 December 2014. The main focus of the refresh will be to ensure that the Corporate Plan is updated to reflect organisational changes and the work of the Future Council programme.</p> <p>The Medium Term Financial Strategy will be considered by Cabinet 10 February 2015. This will be revised to reflect Future Council proposals for savings and new ways of working. The MTFS will contain details of savings plans for future years.</p>
<p>Financial Governance</p>	<p>As the need for robust governance in local government continues to grow, the Council should ensure it provides support to Members and Officers with responsibility for managing budgets.</p>	<p>Graham Burgess</p>	<p>March 2015</p>	<p>Members and CESG will receive updates through monthly monitoring and reviews of the future financial position for the Council. Further support to Members is available on an ad-hoc basis with briefings and training being arranged.</p>

				For all officers support is in the form of the various approaches to monitoring and the provision of budget monitoring information in a variety of ways. This ranges from reports to one to one meetings plus technical support and advice.
Financial Control	<p>Ensure that the staffing levels within finance are appropriate to allow the Council to address the financial challenges that it faces and to support the delivery of the Future Council Programme.</p> <p>The Council should continue to closely monitor budgets to identify variances at an early stage and ensure appropriate corrective action is taken.</p>	<p>Vivienne Quayle</p> <p>Vivienne Quayle supported by Senior Management</p>	<p>March 2015</p> <p>Ongoing throughout 2014/15 but effectiveness will be determined by outturn for 2014/15 in June 2015</p>	<p>Levels of finance staff will be kept under review as new structures across the Council develop. A new structure for Financial Services is proposed.</p> <p>The Council will continue to:</p> <ul style="list-style-type: none"> • Report frequently (each month). • Report to CESHG and Cabinet. • Report progress on savings separately from budget monitoring. • Use a risk based

				<p>approach to savings, with BGAR ratings of all savings.</p> <ul style="list-style-type: none">• Adopt a project management approach to the delivery of savings.• Report alternative savings and actions that have been required due to slippage or non delivery of savings plans.• Adopt a corporate approach to corrective action where budget variances occur.
--	--	--	--	--