

The Audit Findings for Wirral Council

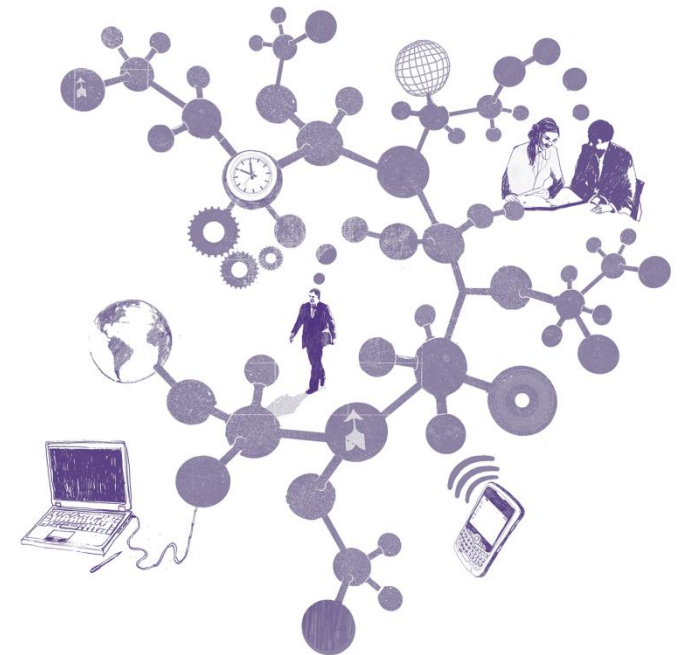
Year ended 31 March 2015

September 2015

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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

We anticipate providing an unqualified opinion on the financial statements and an unqualified value for money conclusion.

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Wirral Council's (the Council) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated March 2015.

Our audit is substantially complete although we are finalising our work in the following areas:

- completion of our review of Property, Plant and Equipment
- completion of a small amount of income and expenditure sample testing
- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- as in 2013/14, the draft accounts were prepared to a good standard and supported by appropriate working papers
- our audit did not identify any material issues affecting the Council's reported financial position
- we identified a small number of material presentational errors and officers have amended the draft statements
- a number of adjustments were agreed to ensure compliance with accounting practices and to improve the presentation of the financial statements.

The Council delivered an underspend of £0.5m on its service income and expenditure and the audited financial statements for the year ended 31 March 2015 set out net cost of services expenditure of £234.14m.

Further details are set out in section two of this report.

Merseyside Pension Fund

We anticipate providing an unqualified opinion on Merseyside Pension Fund's financial statements. The findings of the audit are set out in a separate report.

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion

The Council has made real progress in improving its arrangements for securing economy, efficiency and effectiveness. There is now a track record of delivering planned savings and the medium-term financial strategy is regularly re-freshed and includes relevant assumptions and projections. The Council successfully delivered its planned budget in 2014/15 and there are effective monitoring arrangements in place. Members and senior management understand the scale of the further spending reductions that need to be made and plans are being developed that embrace new ways of working. The progress the Council has made over the last couple of years has been recognised by the Local Government Chronicle award of 'Most Improved Council' title.

The Council has articulated its Vision for 2020 which includes its ambition for Wirral. There is a recognition that delivering the 2020 Vision Plan will require the Council to work closely with its partners and to embrace new ways of working. The progress that has been made in recent years provides increased confidence about the deliverability of the vision however it is clear that challenges remain.

The financial position is tough and could get tougher, there are still some elements of the Council's basic processes, such as procurement and dealing with sickness absence, that are not fully developed and the required cultural change will be demanding. In our view it is important the Council:

- continues to improve and embed basic processes;
- takes steps to organise itself appropriately to deliver objectives and embed a culture that encourages people to adopt new ways of working; and
- retains a focus on significant financial challenges facing local government.

Further detail of our work on Value for Money is set out in section three of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings

As part of our audit we have identified a number of areas where the Council's IT controls can be further strengthened. We shared our detailed findings with the Council and received a response setting out planned action by Management.

Further details are provided within section two of this report setting out the most significant issues that our review identified.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with a number of senior officers.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with officers.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2015

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

We have not identified any adjustments affecting the Council's financial position and we are expecting to issue an unqualified opinion on the financial statements.

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit and Risk Management Committee on 18 March 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 18 March 2015.

Audit opinion

Our proposed audit opinion is set out in Appendix B.

Audit findings against significant risks

"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 (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>We have undertaken work to:</p> <ul style="list-style-type: none"> • review and test revenue recognition policies • test material revenue streams • review unusual significant transactions 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Wirral Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Wirral Council, mean that all forms of fraud are seen as unacceptable
2.	<p>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls</p>	<p>We have undertaken work to:</p> <ul style="list-style-type: none"> • review accounting estimates, judgements and decisions made by management • test journal entries • review unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documentation and identification of the processes and key controls within the operating expenses cycle • walkthrough of controls to confirm our understanding • agreement of creditors to system balances and control account reconciliations, • review and substantive testing of year end accruals and creditor balances including confirmation that balances due have been settled after year end • testing transactions either side of the year end ("Cut-off") to obtain assurance that creditors have been accounted for in the correct financial year. 	<p>Our audit work has not identified any significant issues in relation to the risk identified. Our work included:</p> <ul style="list-style-type: none"> • Testing of a sample of 25 expenditure items which did not identify any issues relating to the accuracy or classification of expenditure • Review and substantive testing of a sample of 15 year end accruals and creditor balances which confirmed the validity and accuracy of balances, and that they had been correctly classified and recorded in the correct financial year • Testing of a sample of 21 payments made in 2015/16 to determine whether the associated expenditure was recorded in the correct financial year. No significant issues arose from this work.
Employee remuneration	Employee remuneration accrual understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documentation and identification of the processes and key controls within the employee remuneration cycle • walkthrough of controls to confirm our understanding • use of analytical techniques to compare expected payroll costs with actual • review of payroll reconciliations including at the year end. 	<p>Our audit work has not identified any significant issues in relation to the risk identified. Our work included:</p> <ul style="list-style-type: none"> • Agreement of reconciliation of total payroll costs to the General Ledger • Confirmation of an expected payroll value being in line with actual payroll costs • Substantive testing of a sample of 24 individuals paid throughout the year did not identify any issues with the accuracy of payments or the calculation of employer "on-costs".


Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Welfare expenditure</p>	<p>Welfare benefit expenditure improperly computed</p>	<p>We have undertaken the following work in relation :</p> <ul style="list-style-type: none"> • documentation and identification of the processes and key controls within the welfare benefits expenditure cycle • walkthrough of controls to confirm our understanding • reconciliation of welfare benefits expenditure system to the general ledger and financial statements • housing benefit subsidy claim testing using Audit Commission HB COUNT approach. 	<p>Our audit work has not identified any significant issues in relation to the risk identified. Our work included:</p> <p>HB COUNT approach testing of a sample of 40 welfare benefit cases, across Rent allowances and rent rebate expenditure, confirmed the benefit entitlement assessments completed by the Council and the payments made to claimants was not materially misstated.</p>

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Income is recognised in the financial year in which goods and services are received or provided. The amounts included are based on actual invoices raised after the year end and where actual amounts are not known estimates are included based on an assessment of the value of goods and services rendered. Income from Council Tax and National Non-Domestic Rates is recognised within the Comprehensive Income and Expenditure Account as the amount due to the Council for the financial year, including its share of the Collection Fund balances for these items at the end of the financial year Interest receivable on investments is accounted for as income based on the effective interest rate for the relevant financial instrument rather than the cash flows set out by contract. Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. 	<p>The Council's policy is appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code).</p> <p>The main elements of the Council's revenue is prudent and predictable and there is minimal judgement required from the Council.</p> <p>The accounting policy is appropriately disclosed in note 1 of the financial statements.</p>	 Green



Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate and disclosures sufficient

● Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
<p>Estimates and judgements</p>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> • assessment that no requirement for group accounts • useful lives of property, plant and equipment • assessment of carrying value v fair value • pension fund valuations and settlements • revaluations Impairments • provisions and accruals 	<p>The Council's accounting policies for key estimates and judgements are appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code).</p> <p>The accounting policies are appropriately disclosed in the notes to the financial statements.</p> <p>In previous years the Council carried out a rolling programme of revaluations, with the date of the valuations varying between 31 March 2011 ad 31 March 2015. This approach was similar to many other authorities and we are satisfied that you satisfied yourselves that the carrying amount of Property, Plant and Equipment (based on these valuations) does not differ materially from the fair value at 31 March 2015.</p> <p>Our audit testing of key estimates and judgements has considered the extent of judgement involved, the potential impact of different assumptions and the range of possible outcomes. We are satisfied that the key estimates and judgements are appropriate and adequately disclosed.</p>	<p style="text-align: center;"> Green</p>
<p>Judgements - local authority maintained schools premises</p>	<p>The Council's recognition criteria for schools non-current assets is determined by ownership and the rights of the legal owner. Where the balance of control for local authority maintained schools lies with the Council then the assets, liabilities, reserves and cash flows of those schools are recognised in the financial statements.</p>	<ul style="list-style-type: none"> • The Council has considered the content of the CIPFA Code of Practice and supplementary guidance, and has documented its judgement with supporting evidence. • The Council's accounting policy for Schools non-current assets is fully disclosed in note 1 to the financial statements, and has been consistently applied. • Our review of the accounting policy, accounting treatment and evidence to support the Council's judgement has not identified any issues which we wish to bring to your attention. 	<p style="text-align: center;"> Green</p>



Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	Management have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Management assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.	 Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	 Green

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have written to the Chair of the Audit and Risk Management Committee in relation to the risk of fraud . We have not been made aware of any material incidents in the period and no other issues have been identified during the course of our audit.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no significant omissions in the financial statements
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed
6.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from PWLB and from various banks to confirm bank balances and short term investment balances.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration , Operating Expenses and Welfare Expenditure as set out on pages 9 and 10 above.

As part of our planned programme of work on internal controls, our information system specialist team undertook a high level review of the general IT control environment at the Council. Our review identified a number of areas where the Council's existing IT controls can be further developed. The most significant issues we identified applied to the following issues.

- Password control and enforcement;
- Potential segregation of duties conflicts; and
- Access Rights

We issued a report to Management setting out our findings together with recommendations and we received a response from Management. We have summarised our recommendations relating to these three most significant issues, at Appendix A, alongside the response from Management.

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Adjusted misstatements, Misclassifications & disclosure changes

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Adjustment type	Value £'000	Account balance	Impact on the financial statements -
1 Misclassification	£13,750 & £6,151	Collection fund	<p>The precept values recorded in the Collection fund for the Police and Crime Commissioner and Merseyside Fire and Rescue service were recognised against the incorrect preceptor and the error was amended to read as follows, with no impact on the net position reported:</p> <p>Precepts</p> <ul style="list-style-type: none"> - Police and Crime Commissioner for Merseyside - £13,750k - Merseyside Fire and Rescue Service - £6,151k
2 Disclosure error	Upward revaluations - £31,599k & Downward revaluations - £19,737k	Note 24 – Unusable reserves – Revaluation Reserve	<p>The Council have corrected the note 24 – that sets out the movement on the revaluation reserves - to ensure that gross values are disclosed in line with proper accounting practices – the original figure set out the net position only of £11,862k</p> <p>There is no impact on the closing balance or the Council's reserve position.</p>
3 Disclosure error	Various	Cash Flow Statement	<p>Our review of the draft cash flow statements a number of errors, including two non – trivial amounts, as follows:</p> <ul style="list-style-type: none"> - Impairment and downward valuations amended from (£8,197k) to (£5,330k) - Non cash items relating to the disposal of fixed assets amended from (£12,830k) to (£15,931)

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

We are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015

Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

The Council has made real progress in establishing effective arrangements to secure financial resilience and has achieved good financial performance despite the considerable financial pressures facing local government. The progress the Council has made has been formally recognised. In March 2015, following a period of partnership work with the Local Government Association (LGA) via a joint Improvement Board, the Council was recognised as the Local Government Chronicle's 'Most Improved Council'.

Between 2011/12 and 2013/14 the Council achieved savings of £106.8 million and in February 2014 updated the Medium Term Financial Strategy (MTFS) 2014 – 17 to reflect the reduced local government finance settlement and include more realistic budget assumptions. This MTFS set out a forecast funding gap of £27.5m in 2014/15 and the Council achieved the required savings and delivered an underspend of £0.5m. In February 2015 the MTFS was again updated for the period 2015-18 and identifies a £70m funding gap for the period and clearly, considerable financial challenges remain.

The Council recognises the scale of these financial challenges and throughout 2014/15 developed the "Future Council Programme" to help transform the Council and deliver the required savings. Following a period of public consultation options for budget savings were submitted to Members in November 2014 with decisions reflected in the Future Project Plan that were taken forward as part of the budget setting process, reflected in the updated MTFS.

In July 2015 the Council approved a new Wirral Council Plan: A 2020 Vision – that sets out the ambition for Wirral and the Council. It identifies the key priority areas and desired outcomes for both people and place and underpinning the three priorities are twenty outcomes designed to be delivered by 2020. The new plan is ambitious and recognises the importance of partnership working to maximise the benefit of all resources 'invested' in Wirral. The delivery of the new Plan will require new skills and ways of working.

Value for Money

Value for money conclusion

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Members and Senior Management have demonstrated an appreciation of the scale of the challenge to reshape the Council to ensure that resources are prioritised and spending reductions achieved with new ways of working being explored. During the year the Council embarked on the Future Council programme, designed to help deliver the significant savings required in future years and to ensure that remaining resources are used effectively. The Council has achieved the savings required for 2014/15 and contained expenditure within resources. A detailed savings tracker report has been developed to assess progress in the delivery of savings and identify potential non-delivery.

The new plan – a 2020 Vision – sets out the broad shape how the Council will organise itself to achieve the stated ambitions – to deliver the best outcomes for Wirral. The Plan recognises that the Council will need to be reshaped as new ways of working are pursued and that this will require significant cultural change.

The Council acknowledge the considerable challenges it will face to achieve the ambition set out in the Council Plan. We will monitor the progress made by the Council to ensure that robust business plans, strategies and financial plans are now put in place to help achieved the stated outcomes.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance	<p>The Council has achieved a good financial performance despite facing significant financial challenges throughout the year. A number of key indicators evidence effective performance however further action is required in certain areas.</p> <ul style="list-style-type: none"> The 2014/15 draft financial statements reports a £0.5m underspend against the net revenue budget of £275.7m achieved through effective monitoring and reporting of the budget throughout the year; The General Fund balance has increased to £18.8m and is above the minimum requirement of £17.3m set out in the risk assessment completed by the s151 officer and detailed in the MTFS; Long term debt has again fallen from £201.3m in 2013/14 to £193.9m in 2014/15 as the Council seeks to reduce both risk and costs linked to repayments; A detailed treasury management strategy is in place that is approved by Cabinet annually and the 2014/15 report confirms compliance with treasury limits set and all prudential indicators; The Council secured a small improvement in Council Tax collection performance to 95.5% compared to 95.4% in 2013/14. Business rate collection was up to 98.2%, an improvement on the 2013/14 level of 96.9%; The capital programme was kept under close review during the year and a number of schemes were re-profiled into 2015/16 resulting in capital expenditure of £32.5m in 2014/15 against a revised capital budget of £39.7m. Major schemes included the rationalisation of office space and the refurbishment of Council buildings; Sundry debtors remain high at £30.9m at the year end, up from £23.5m in 2013/14; and Sickness absence across the Council remains high at 10.39 average days absence per full time employee against a 2014/15 target of 9.75. Internal Audit has also identified issues relating to under reporting of absence by managers. 	Green

Theme	Summary findings	RAG rating
Strategic financial planning	<p>During 2012/13 – 2014/15 the Council went through a period of significant change and successfully implemented revised arrangements to help establish greater financial stability. The Council has achieved revenue budget underspends, in each of the last two years achieving savings of £39m in 2013/14 and £27.5m in 2014/15 and effectively managed its financial performance. This improved financial management culminated in the Council being recognised as the "most improved Council" by the LGA in March 2015.</p> <p>The Council's Medium Term Financial Strategy (MTFS) is refreshed annually and revised ahead of the commencement of the financial year. The MTFS 2014-2017 was approved in February 2014 and both the budget and MTFS have been closely monitored and subject to revision as new issues/external factors emerged. The MTFS 2015-18 is now in place and confirms that the Council has set a balanced budget for 2015/16 including savings of £38m. A further £49m of savings remain to be identified by 2017/18. The MTFS clearly sets out the risks associated with delivery of these savings and the Council has plans in place to closely monitor delivery and report to Cabinet and the Chief Executive Strategic Leadership Team.</p> <p>In terms of 2016/17 and 2017/18 some £3.1m of the required savings had been identified as at February 2015 and the information obtained as part of the Future Council programme will be reviewed to help identify further efficiencies alongside a range of other potential measures. The Council have recently updated the Council plan and Wirral Council – A 2020 vision was approved in July 2015 and will be supported by an updated MTFS that will set out proposals to address the current forecast budget gap. The plan recognises that the Council will need to fundamentally change the way services are delivered and the Council will need to continue to develop detailed savings plans to address this budget shortfall.</p>	Green
Financial governance	<p>The Council now has effective financial governance arrangements in place that have helped deliver a more stable financial environment in recent years. The revised structures and arrangements have become more embedded following a period of significant change that has included:</p> <ul style="list-style-type: none"> • restructure of senior management, completed in April 2013, with three new Strategic Directors being appointed and the appointment of a new Chief Executive from April 2015; • revision of the Constitution in recognition that governance arrangements required strengthening to improve decision making; • establishment of a Corporate Governance Group chaired and supported by the Strategic Director for Transformation and Resources, The group meet regularly throughout the year and provide assurance to both to the Strategic Leadership Team (SLT) and the Audit and Risk Management Committee. <p>Members and management team has maintained a focus on financial requirements and take a clear lead on the achievement of required savings. The Council has developed a good understanding of the financial environment and financial reporting has a high profile especially through the revenue monitor and savings tracker reports produced monthly and the Council has performed in line with budgets.</p>	Green

Theme	Summary findings	RAG rating
<p>Financial control</p>	<p>The Council has managed the 2014/15 annual revenue budget and savings plans well and delivered a year surplus and achieved the required savings. Revenue and Capital monitoring reports are produced monthly and clearly set out the projected financial position and key issues . The reports include a risk assessment of Directorate budget variations with overspends explained and planned management actions to be implemented clearly set out along with explanation of underspends and savings secured.</p> <p>The degree and scale of change to deliver £38 million of savings in 2015/16 represents a significant challenge to implement whilst maintaining the delivery of services and maintaining spend within budget remains a key priority. Arrangements to oversee the financial position were developed during the year and monitored by number of officer groups. In the later part of 2014/15 the Benefits Realisation Group was formed to oversee the monitoring of agreed savings and the development of savings for 2016/17, 2017/18 and future years.</p> <p>Internal Audit (IA) provide an effective service across the Council and have demonstrated compliance against the CIPFA Code of Practice for Internal Audit. IA provide regular update reports for the Audit and Risk Management Committee and the Chief Internal Auditor annual report for 2014/15 concluded that "Assurance can be given that there is a sound system of internal control, designed to meet the Council's objectives, and that controls are generally being applied consistently."</p> <p>The Finance department continues to have a number of unfilled vacancies and again required temporary support to ensure the appropriate completion of the 2014/15 statement of accounts. The Council will need to ensure that sufficient capacity is maintained to meet the continuing financial challenges and to help support the achievement of required savings.</p> <p>The Council have a risk management policy in place and sound arrangements that underpin the corporate risk register however the Council recognise more needs to be achieved to ensure that these arrangements are embedded across all Council departments and consistently applied.</p>	<p>Green</p>

Theme	Summary findings	RAG rating
Prioritising resources	<p>Cabinet and Senior Management have demonstrated an appreciation of the scale of the challenge to reshape the Council to ensure that resources are prioritised and spending reductions achieved with new ways of working being explored. During the year the Council embarked on the Future Council programme, designed to help deliver the significant savings targets required in future years and to ensure that remaining resources are used effectively. Comprehensive reviews of all Council services were completed. Each service review included:</p> <ul style="list-style-type: none"> • assessment of what the service was there to deliver; • what would be the effect on users if the service was not provided; • could behavioural changes improve services; and • what is the performance of the service is like both in relation to the Corporate Plan and other benchmarking information. <p>The options developed were then subject to stakeholder engagement and public consultation that commenced in June 2014 and in November options for budget savings were submitted to Members. Proposals were then set out within the Future Project Plan that were taken forward as part of the budget setting process, and reflected in the current MTFS.</p> <p>The Council recognised that this was just the start of the process to fundamentally reshape the Council and in July 2015 a new Council plan was approved that sets out the vision of the Council going forward. The plan details how the Council will organise itself to achieve the stated ambitions to deliver the best outcomes for Wirral. The Plan recognises that the Council will need to be reshaped as new ways of working are pursued and that this will require significant cultural change.</p> <p>The Council has clearly become more pro-active in its response to the changing needs of their communities and in the face of diminishing levels of funding. The Council is now part of the Liverpool City Region Combined Authority designed to bring about closer partnership working. 2020 Vision sets out that the Council will need to look beyond traditional organisational and geographical boundaries and it recognises that much remains to be achieved for the Council to realise its ambition to secure improved services and better outcomes. The aim is to now align a 5 year financial strategy alongside the plan to help achieved the stated aims and objectives.</p>	Amber

Theme	Summary findings	RAG rating
Improving efficiency & productivity	<p>The Council has again achieved the required annual savings and contained expenditure within resources. A savings tracker report that sets out progress in the delivery of savings and identify potential non-delivery has been developed. The tracker identifies savings in R/A/G categories depending on the likelihood that they will be achieved. The information is produced monthly and reported to Cabinet as part of the on going budget monitoring process.</p> <p>The Council has recently completed the reconfiguration of a number of services into a "Transactional Centre" that merges income, payments and other information. Further changes are anticipated to Schools Support Services and the Future Project Plan includes the plan to review all professional services such as Internal Audit, Finance, HR and Legal Services.</p> <p>The Council has prepared a business case and held discussions with Cheshire West and Chester to establish a Shared Service with for Schools Support Services which recognises the continuing reduction in the reliance of schools on the Council's support services as they transfer to Foundation and Academy status.</p> <p>Other functions under consideration for alternative delivery methods include the establishment of a Council-owned company for the delivery of Adult Day Care Services and a new partnership arrangement with NHS Wirral Clinical Care Commissioning Group to commission health and social care services.</p> <p>The Council has taken action to address previously identified weaknesses in relation to its corporate procurement arrangements and it is recognised that structural issues relating to capacity and capability remain to be addressed and plans are in place to strengthen these arrangements.</p>	Amber

Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Fees, non-audit services and independence

We confirm below our final fees charged for the audit and provision of non-audit services to the Council.

Fees

	Per Audit plan £	Actual fees £
Council audit	213,150	213,150
Grant certification on behalf of Audit Commission	31,800	31,800
Total audit fees	244,950	244,950

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 your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

Fees for other services

Service	Fees £
Audit related services	
Teachers Pension Agency Accountant's report	4,200
Regional Growth Fund	To be confirmed
Housing Benefits - response to 2014/15 DWP queries	To be confirmed
Non audit related services	
Place Analytics	10,000

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report 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.

	Audit Plan	Audit Findings
Our communication plan		
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 issues 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		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan - Opinion

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Default passwords should be changed immediately to avoid the risk of system compromise. Management should ensure that for any future upgrades or developments a thorough review of shipped accounts is undertaken and all default passwords changed.	Medium	Default passwords for existing E-Business Suite modules have now been changed. Default passwords linked to future upgrades or developments will be changed as part of the implementation process.	
2	Management should undertake a review of the configuration of responsibilities to ensure that the functions assigned to them do not result in segregation of duties clashes.	Medium	Group Leader (Scheduling, Storage, Database & Printing)to review user permissions. A change of personnel and roles (in progress) within the IT Services team responsible for the Oracle E-Business Suite provides the opportunity for administrative permissions to be reviewed and segregation of duties clashes removed.	Quarter 3 - 2015/16
3	A review should be undertaken to identify all responsibilities in use that could be exploited using the processes tab functionality. These can be identified by reviewing responsibilities for menus that include the string %AZN% . Exclusions should then be used to ensure that no responsibilities in use have access to these menus	Medium	The fundamental review of permissions detailed in (2) will address this deficiency.	Quarter 3 - 2015/16

Appendix A: Action plan – VFM Conclusion

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
Securing Financial Resilience				
1	The Council needs to urgently address the issue of mis-reporting of sickness absence and ensure effective action is undertaken to reduce absence and work toward achieving the target set.	High	<p>Sickness levels are closely monitored through the enhanced self-serve system. All managers have access to the system that contains employee related information. Detailed on going action includes;</p> <ul style="list-style-type: none"> Absence data and trigger reports are available to all managers on their desktop via self-serve. Absence information is reported to Directorate Management Teams through monthly people management reports. HR Business Partners are supporting managers in developing action plans against long term cases. Any areas of mis-reporting will be monitored and action taken as appropriate. Specific support is provided to managers to deal with long-term complex cases with OH support as required. Chief Officers, with support of HR, have met line managers in services areas during July 2015 and set out clear expectations of managers in managing absence in the workplace in line with policy. Support is provided to employees via the employee assistance and health and wellbeing programmes. The Attendance Management policy has been reviewed in August 2015 and a number of changes have been improved to improve effectiveness of policy. 	<p>On going</p> <p>Chris Hyams - Head of Human Resources and Organisational Development</p>

Priority
High, Medium or Low

Appendix A: Action plan – VFM Conclusion

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
Securing Financial Resilience				
2	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 given the increase in the levels of historic debt	High	The arrears at 31 March 2015 were inflated by 2 invoices to NHS England and Wirral CCG totalling £9,312,985 raised in late February for the Better Care Fund. Both invoices were cleared in early April 2015. Excluding these two invoices arrears would reduce from £30.9 million to £21.6 million, which whilst still high represents an improvement from 2013/14. For 2015/16 and on going the cumulative position is being monitored against original targeted debt and new debt to enhance the process of assessing debt collection rates. It is expected that there will be a continuation in the improvement in debt collection levels over 2014/15 and earlier years.	On going Malcolm Flanagan Head of Business Processes
3	Develop savings plans for each of the three years covered by the MTFs and ensure that financial plans are developed to support the Council Plan – A 2020 Vision.	High	The Medium-Term Financial Strategy was considered as part of the budget setting process on 10 February 2015. It is being reviewed to reflect proposals within the Future Council programme and will be subject to further review as proposals for changes to service delivery are developed to meet the requirements of the Council Plan - A 2020 Vision. Short-term support is currently being utilised to develop savings options to support the Council Plan.	On going with updated budget proposals to the Executive December 2015/ February 2016. Tom Sault, Head of Financial Services Senior Leadership Team

Appendix A: Action plan – VFM Conclusion

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
Securing Financial Resilience				
4	Review action taken to ensure the Risk Management arrangements are applied appropriately across the Council	Medium	<p>The Corporate Governance Group considered the output from a recent benchmarking survey in October 2014. This highlighted a number of priorities for improving the Council's risk management framework including learning from risk events, business continuity planning, defining the Council's risk appetite, risk management training and partnership risk arrangements. These informed changes to the refreshed Risk Management Policy considered by Audit & Risk Management committee on 18 March 2015 and key actions for 2015/16. Mandatory E-learning training on risk management for managers and other staff has been introduced. A revised Risk Management Policy is expected by February 2016.</p> <p>A further self-assessment of the Council's risk management arrangements is to be undertaken in autumn 2015 through the Council's participation in the CIPFA /Alarm risk management benchmarking club. Internal Audit will also conduct their annual investigation of the Council's risk management arrangements in the latter part of 2015/16. Output from both of these processes and the findings of the external audit will inform priorities for improvement to be implemented in 2016/17.</p>	<p>On going</p> <p>Tom Sault, Head of Financial Services</p> <p>Mike Lane Risk and Insurance Officer</p> <p>Senior Leadership Team</p>
5	Ensure that appropriate staff capacity is maintained within finance to allow the Council to address the financial challenges that it faces and to support the delivery of the Council Plan – Vision 2020	Medium	Capacity within Finance will be kept under review. A review of Financial Services was completed in late 2014/15. The review is expected to release resources to assist with key tasks such as the closure accounts and meet directorate requirements to support the development of proposals to deliver the outcomes of the Council Plan. The position will be kept under review as this work develops.	<p>On going</p> <p>Tom Sault, Head of Financial Services</p>

Appendix A: Action plan – VFM

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
Securing economy, efficiency and effectiveness				
6	Monitor progress against the plans and recommendations put in place that seek to strengthen corporate procurement arrangements.	Medium	The Audit and Risk Management Committee at its meeting of 23 November 2014 were informed that capacity pressures within the Procurement Team could prevent the Council from delivering compliant procurement. This was recognised as a corporate risk and short term actions were agreed pending the conclusion of the consultation on the restructure. To mitigate the risk recruitment to the posts were accelerated and temporary staff were employed on 6 month contracts. A proposal for a new structure has been produced, based upon Category Management principles, and is being considered by the Senior Leadership Team during September 2015. Additionally the Council’s intranet has guidance in the form of a Procurement Toolkit which includes e-tendering, i-procurement and details of procurement procedures. A complete review of the Contract Procedure Rules is under way. This includes adoption of the revised EU Procurement Directives and any amendments required that have been identified during the past twelve months. The outcome of this review will be subject to Member approval in November 2015 before implementation targeted for January 2016.	On going Ray Williams - Head of Procurement
7	Ensure that robust business plans, strategies and financial plans are now put in place to help achieved the stated outcomes.	High	Draft proposals to meet the outcomes are being developed. Detailed business and financial plans will be developed once agreement on the best way forward to deliver the outcomes contained within the Council Plan have been agreed with partners and the residents of Wirral.	On going with some detailed proposals to be completed to feed into the 2016/17 budget setting process. Senior Leadership Team / Cabinet

Appendix B: Audit opinion - Draft

We anticipate we will provide the Council with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WIRRAL COUNCIL

We have audited the financial statements of Wirral Council for the year ended 31 March 2015 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, the 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 2014/15.

This report is made solely to the members of Wirral Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. 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 Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer 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 2014/15, 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 also 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 Chief Financial Officer; 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 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 2015 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 2014/15 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 are required to 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; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a 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 in October 2014.

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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, 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 2015.

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 2014, 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 2015.

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.

Robin Baker
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

2x September 2015



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