

## **WIRRAL COUNCIL**

### **AUDIT & RISK MANAGEMENT COMMITTEE**

**28 SEPTEMBER 2015**

<b>SUBJECT</b>	<b>STATEMENT OF ACCOUNTS 2014/15</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>HEAD OF FINANCIAL SERVICES AND ACTING SECTION 151 OFFICER</b>
<b>RESPONSIBLE PORTFOLIO HOLDER</b>	<b>COUNCILLOR PHIL DAVIES</b>
<b>KEY DECISION</b>	<b>YES</b>

#### **1.0 EXECUTIVE SUMMARY**

- 1.1. The Council Constitution allocates responsibility for the approval of the Statement of Accounts to the Audit & Risk Management Committee. The Statement for 2014/15 was published on 30 June 2015 and was then subject to audit. The Council's external auditor, Grant Thornton LLP will present their findings, within the Audit Findings Report (AFR) together with any additional update, to this meeting.
- 1.2. Members are requested to consider the findings of Grant Thornton, agree the Letter of Representation, agree any actions for 2015/16 and then approve the arrangements for the finalisation of the Statement of Accounts for 2014/15. This is in order for them to be published by the statutory deadline of 30 September 2015.
- 1.3. The Statement of Accounts includes the Merseyside Pension Fund (MPF) accounts as Wirral Council is the Administering Authority for MPF. As the MPF receives a separate Audit Findings Report this has to be considered by Pensions Committee and also this Committee as part of approving the Accounts.

#### **2.0 BACKGROUND AND KEY ISSUES**

##### **INTRODUCTION**

- 2.1 The purpose of the Statement of Accounts is to present the overall financial position of the Council at 31 March 2015 in accordance with prescribed guidance – the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This is updated annually and specifies the accounting principles and practices required to prepare a Statement of Accounts which present a true and fair view of the financial position.

- 2.2 The Accounts and Audit Regulations 2003, as amended in 2011, state that the Statement of Accounts must be approved by an appropriate Committee no later than 30 September. The Head of Financial Services, as Acting Section 151 Officer, was required to certify the Accounts by 30 June 2015. At that date, the Accounts were issued to all Members of this Committee and made publicly available.
- 2.3 The Accounts published at 30 June 2015 have been subject to audit. Under the Audit Commission Act 1998 and the Audit Commission Code of Audit Practice for Local Government, Grant Thornton, as the Council's appointed external auditor, reports on the financial statements. As stipulated by the Regulations, these are to be reported prior to 30 September 2015.
- 2.4 Grant Thornton are also to present their findings on Value for Money for 2014/15 to the Committee. There has been an improvement in the findings of Grant Thornton between financial years 2013/14 and 2014/15 and these are summarised in paragraph 4 to this report.

#### **AMENDMENTS TO THE STATEMENT OF ACCOUNTS**

- 2.5 Amendments to the financial statements requested by Grant Thornton are detailed in the Audit Findings Report. Members are asked to consider whether or not they agree to the amendments which have been agreed by officers. The Auditor has, at the time of writing the report, identified a number of additional disclosure requirements, which the Council has agreed to make.
- 2.6 The latest Statement of Accounts 2014/15 is appended and reflects the comments made in the Audit Findings Report, the Annual Governance Statement considered by this Committee on 22 September and the MPF Accounts which have been considered by Pensions Committee.
- 2.7 The Committee will be updated of further audit work and findings at the meeting and alterations to the Statement of Accounts as part of the audit process may be made up until 30 September. To facilitate the finalisation of the Statement of Accounts by the required deadline Members of the Committee are asked to approve that any further revisions to Statement of Accounts will be agreed by the Head of Financial Services, as Acting Section 151 Officer, in consultation with the Chair of the Committee. Members will be informed of these revisions at the earliest opportunity.

#### **AUDITOR'S REPORT AND OPINION**

- 2.8 The Audit Opinion will be issued following Committee consideration of the Audit Findings Report, approval of any amendments to the Statement of Accounts and agreement of the Letter of Representation (Appendix). Grant Thornton will issue their opinion before 30 September 2015 and state if the accounts are a true and fair view of the financial position of the Council at 31 March 2015.

- 2.9 The Auditor's Report will be incorporated within the final version of the Statement of Accounts that will enable the Accounts to be agreed and published by the statutory deadline of 30 September 2015. An unqualified opinion on the Accounts for 2014/15 is anticipated and publication of the Accounts will take place by the statutory deadline. There are no anticipated changes to the financial position reported to Cabinet on 13 July 2015.
- 2.10 The closure of accounts process is a key part of the Council's financial management processes and requires the input of substantial resources across the Council. This is necessary to deliver a smooth final accounts process and to allow Grant Thornton to carry out its audit within agreed timescales.
- 2.11 Grant Thornton received the statements and supporting working papers in accordance with the required deadline. However competing pressures within the Financial Services Division remain as capacity is limited and the management of the pressures has proven to be a considerable challenge since the commencement of the current financial year.

### **3.0 CHANGES TO THE STATEMENT OF ACCOUNTS**

- 3.1 In addition to the changes to the Statement of Accounts required following the audit and which are included in the Audit Findings Report, the Council has reviewed its Statement of Accounts to reflect changes required by the Code of Practice on Local Authority Accounting for 2014/15.
- 3.2 The only significant change required by the 2014/15 Code relates to the accounting treatment of categories of schools covered by the Schools Standards and Framework Act 1988. This means that where the balance of control for locally maintained schools lies with the Council then the assets, liabilities, reserves and cash flows of those schools are to be recognised within the Council's Statement of Accounts. Crucially the balance of control must include ownership of the land and buildings associated with a particular school if the school is to be included within the Council's Statement of Accounts.

Therefore all Community Schools which are owned by the Council, will be included in the Council's Balance Sheet (which is already the case) along with any schools where the Council retains ownership of the land and buildings of the school and it falls within the definition of a locally maintained school. To comply with this guidance, the Council has therefore brought into its Balance Sheet the value of the land and buildings of 3 Foundation Schools and 1 Voluntary Aided School amounting to £29 million.

The Council does not, however, hold ownership of the remaining Voluntary Aided and Voluntary Controlled schools within the Wirral Council area, although it provides funding through the Dedicated Schools Grant. Therefore the capital value of the land and buildings of these schools is not included within the Council's Balance Sheet, although revenue transactions are included within the Council's Comprehensive Income and Expenditure Statement.

There are also a number of Academies within the Wirral Council area, which were formerly schools owned by the Council. As these schools have opted out of local authority control and receive direct government funding, the Council's Statement of Accounts does not include any information on expenditure, income, assets or liabilities regarding Academies

- 3.3 As reported to the Committee on 17 September 2014, the Council is carrying out a fundamental review of the value of all Transport Related Assets, which includes everything from street furniture to major infrastructure such as roads and bridges. This work is being carried out by the Council's Regeneration and Environment Directorate with input from Financial Services as required. The purpose of the exercise is to give a better indication of the capital value of all Transport Related Assets. The revised values will be required for inclusion within the 2016/17 Statement of Accounts.

#### **4.0 VALUE FOR MONEY**

- 4.1 Grant Thornton have provided their findings for 2014/15 on value for money, which are contained in Section 3 of the Audit Findings Report.
- 4.2 There have been some improvements to the status of the Value for Money findings between financial years 2013/14 and 2014/15 and these are summarised in the following table:

Theme	R/A/G Rating	
	2013/14	2014/15
1. Key Indicators of Performance	Green	Green
2. Strategic Financial Planning	Amber	Green
3. Financial Governance	Green	Green
4. Financial Control	Amber	Green
5. Prioritising Resources	Amber	Amber
6. Improving Efficiency and Productivity	Amber	Amber

- 4.3 The two areas which have shown improvement, Strategic Financial Planning and Financial Control, recognise the significant improvements the Council has made to deliver financial stability, improvements to financial management and the approach adopted through the Future Council Programme and the Council Plan. The 2020 Vision has been agreed and will be supported by the Delivery Plan and Medium Term Financial Strategy which are being developed for Cabinet / Council in February 2016.

4.4 There remain other challenges the Council must continue to pursue including:

- Reducing the level of sickness absence to more acceptable levels;
- Reducing the level of outstanding debt owed to the Council by sundry debtors;
- Developing savings plans for the period of the MTFs;
- Embedding risk management arrangements and a consistent approach to risk across all Council departments;
- Ensure that there is sufficient capacity within Financial Services to meet continuing financial challenges and to support the achievement of savings needed going forward.
- Strengthening Corporate Procurement;
- Continuing to review alternative service delivery options.

To address these challenges with Grant Thornton, the Council has drafted an Action Plan, which is within the Audit Findings Report.

## **5.0 LETTER OF REPRESENTATION**

5.1 The Letter of Representation has to be agreed by this Committee and a draft is an Appendix to this report. This may be subject to change following the outcome of the further work and any update to this meeting by Grant Thornton.

## **6.0 ANNUAL GOVERNANCE STATEMENT (AGS)**

6.1 This Statement is the subject of a separate report to this Committee and, although not required to be included in the Statement of Accounts, it is included as it shows how the Council has ensured the effectiveness of its systems for ensuring that it operates legally and that public money is properly used and accounted for.

## **7.0 RELEVANT RISKS**

7.1 If any concerns identified by Grant Thornton are not addressed by the Council then there are potential risks that the Council will not be able to meet its statutory requirements in respect of the Statement of Accounts as well as impacting upon Value for Money and Financial Resilience of the Council.

## **8.0 OTHER OPTIONS CONSIDERED**

8.1 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.

## **9.0 CONSULTATION**

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

## **10.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

10.1 There are none arising directly from this report.

## **11.0 RESOURCE IMPLICATIONS: FINANCIAL, IT, STAFFING AND ASSETS**

11.1 The amendments to the Statement of Accounts 2014/15 have not changed the level of General Fund balance or reserves and provisions at 31 March 2015 which remain as reported to Cabinet on 13 July 2015.

11.2 The staffing implications relate to capacity within the Financial Services Division and this situation continues to be managed alongside competing pressures.

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

## **12.0 LEGAL IMPLICATIONS**

12.1 It is a legal requirement to publish the Statement of Accounts by 30 September 2015.

## **13.0 EQUALITIES IMPLICATIONS**

13.1 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 and formats.

## **14.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS**

14.1 There are none arising directly from this report.

## **15.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

15.1 There are none arising directly from this report.

## **16.0 RECOMMENDATIONS**

16.1 That Committee consider the Audit Findings Report presented by Grant Thornton agreeing:

- The actions taken over the amendments to the Statement of Accounts (referred to in Section 2 of this report).
- The findings and action plan in relation to Value for Money (referred to in Section 3 of this report)

- 16.2 That Committee agree to the Head of Financial Services, as Acting Section 151 Officer, being authorised to sign off the Councils' 2014/15 Statement of Accounts in consultation with the Chair of the Committee.
- 16.3 That the Chair of the Committee signs and dates the Letter of Representation.
- 16.4 That Committee agree any action plans within the Audit Findings Report.
- 16.5 That subject to the above, Committee approve the Statement of Accounts for 2014/15 and the arrangements for further amendments.

## 17.0 REASON FOR RECOMMENDATIONS

- 17.1 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.

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## APPENDICES

Letter of Representation.  
 Statement of Accounts 2014/15 (please note this is 186 pages)

## BACKGROUND PAPERS

Audit Findings Report for Wirral Council issued by the Grant Thornton September 2015 as reported to Audit & Risk Management Committee 28 September 2015.

## SUBJECT HISTORY

Council Meeting	Date
<b>Audit &amp; Risk Management Committee</b> 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	<b>17 September 2014</b>
<b>Audit &amp; Risk Management Committee</b> Grant Thornton Annual Audit Letter 2013/14 Statement of Accounts 2013/14 - update	<b>25 November 2014</b>
<b>Pensions Committee</b> Grant Thornton Audit Findings Report – - Merseyside Pension Fund - Merseyside Pension Fund Accounts 2014/15	<b>14 September 2015            &amp; 28 September 2015</b>

