

The Audit Findings for Wirral Council

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report. This draft has been created from the template dated DD MMM YYYY

Year ended 31 March 2019

12 September 2019



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Wirral Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:

- give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our final accounts audit work was completed on site during June, July and August 2019 and is now substantially complete. Our findings are summarised on pages 5 to 16.

The initial draft accounts were published at the end of May 2019 in line with statutory timetable. A number of adjustments and amendments have been agreed to the original draft financial statements which result in an increase in expenditure of £11.096m in the Council's Comprehensive Income and Expenditure Statement. In addition the Council has reversed an incorrect entry to its Minimum Revenue Provision calculation which has the effect of reducing the level of available revenue reserves by approximately £25.98m from that disclosed in the initial draft accounts. The agreed adjustments are summarised in Appendix C and further details are included within the Council's covering report.

There is scope to improve the Council's arrangements for preparing its financial statements going forward. We have raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix E) or material changes to the financial statements, subject to the resolution of the following outstanding matters:

- receipt of management representation letter
- updating our post balance sheet events review, to the date of signing the opinion, and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.

Merseyside Pension Fund

We also anticipate providing an unqualified opinion on Merseyside Pension Fund's financial statements. The findings from the Pension Fund audit are set out in a separate report which has also been presented to the Pensions Committee.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Wirral Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

We have completed our risk based review of the Council's value for money arrangements. The Council continues to face a challenging financial position however it has made progress in addressing the challenges faced. Detailed savings proposals by portfolio were agreed to achieve savings of £45m in 2019/20 and there is a significantly reduced reliance on one-offs including the planned use of reserves.

Since OFSTED rated the Council's Children's services as inadequate in 2016, the Council has demonstrated a steady improvement in the service provided as indicated in the OFSTED monitoring reports for 2018/19. The September 2018 report stated 'The quality of social work practice in each case was effective and making a difference'.

OFSTED carried out a full re-inspection of the Council's Children's Services in June 2019 which has resulted in a rating of 'Requires Improvement'. The report confirms that improvements have been made and a better service for children is being delivered. Not all areas have improved at the same pace but the report acknowledges that the Council has clear plans to address these areas.

We have concluded that Wirral Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 17 to 20.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We do not expect to be able to certify the conclusion of the audit as we are yet to complete our consideration of an objection we received in relation to the Council's Lender Option Borrowing Option borrowing. We have also received a new objection relating the Council's 2018/19 accounts and there have been questions received at audit.

Acknowledgements

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.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and included:

- an evaluation of the Council's internal controls environment, including its IT systems and controls; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter or change our audit plan, as communicated to you on 11 March 2019.

The Financial Reporting Council (FRC) is responsible for reviewing and assessing the quality of local public audit work undertaken by Grant Thornton and the other audit firms. In response to the latest feedback from the FRC on local public audit work we have updated and refined our approach to the audit of PPE and Pensions Liabilities, which has resulted in additional audit procedures being undertaken. We have included fee adjustments to cover these additional procedures which are set out at page 28 of this report.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Risk Management Committee meeting on 23 September 2019, as detailed in Appendix E. These outstanding items include:

- updating our post-balance sheet events review, to the date of signing the opinion
- final Engagement Lead and Review Partner review of the audit working papers.
- receipt of management representation letter; and
- review of the final set of financial statements.

Summary

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remain the same as reported in our audit plan. We detail in the table below our determination of materiality for Wirral Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	£12.986m	<ul style="list-style-type: none"> Considered to be the level above which users of the accounts would wish to be aware of misstatements in the context of overall expenditure.
Performance materiality	£9.740m	<ul style="list-style-type: none"> Assessed as 75% of Financial Statement materiality.
Trivial matters	£0.649m	<ul style="list-style-type: none"> ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.
Materiality for specific transactions, balances or disclosures	£20k 1.8%	<ul style="list-style-type: none"> Senior Officer Remuneration disclosures given the potential public interest in these figures. Related Party Transactions due to potential public interest. We will review any unusual transactions.

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

1

The revenue cycle includes fraudulent transactions (rebutted)

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Auditor commentary

Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk that the revenue cycle includes fraudulent transactions can be rebutted because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited because there is a high degree of predictability in the main revenue streams
- the culture and ethical frameworks of local authorities, including Wirral Council, mean that all forms of fraud are seen as unacceptable.

This determination remains the same as reported in our Audit Plan and therefore we do not consider this to be a significant risk for Wirral Council.

2

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and as part of the closedown process for appropriateness and corroboration
- gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness.
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work completed has not identified any evidence of management override of controls.

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p>3 Valuation of land and buildings</p> <p>The Council revalues its land and buildings on a rolling five-year basis. The valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£608m) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>Auditor commentary</p> <p>We have carried out the following work:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, instructions issued to valuation experts and the scope of their work evaluated the competence, capabilities and objectivity of the valuation expert written to the valuer to confirm the basis on which the valuation was carried out challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding tested, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register, and evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these are not materially different to current value at year end. <p>The Council's land and buildings assets have been valued this year by the Council's in-house valuation team. Our work has assessed them as having a good knowledge of the Council's portfolio and they have used the information from the Asset Register and the Council's estates systems in carrying out their valuation of the assets. The assumptions used are reasonable and we are satisfied that they had access to appropriate levels of information to complete reliable valuations.</p> <p>The Council has revalued approximately 84% of its Land and buildings assets this year, leaving a relatively small amount (£75m) that has not been formally valued during the year. For those assets not formally valued in the year, management has liaised with the valuation team to assess the potential difference between the carrying value and the fair value. We have reviewed and challenged this methodology and are satisfied that the best estimate of the level of uncertainty is below materiality.</p> <p>The Council revalued 100% of its Investment property portfolio in line with its accounting policies. Sample testing of the revaluations provided assurance that these assets were correctly classified as Investment Properties and the movements in the valuations had been correctly recognised in the accounts.</p> <p>For the sample of revaluations tested, it was identified that the assets were input on to the Council's asset register as at 31 December 2018 with depreciation subsequently charged on the assets for the remainder of the year. The approach is consistent with previous years and the Council's valuers believe it is appropriate. However it arguable that it leads to an uncertainty in the accounts. The impact of the accounting treatment is a potential understatement of the net book value of the assets by £3.737m and over statement of depreciation by the same amount. For the total population revalued the results are a potential understatement of £4.557m which is clearly not material Whilst the matter is not material we suggest that the Council clarifies the approach going forward with its valuer.</p> <p>Our audit work has not identified any further issues in respect of valuation of land and buildings.</p>

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

4

Valuation of pension fund net liability

The Council's pension fund liability, as reflected in its balance sheet as the net defined benefit liability represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£539m in the Council's balance sheet as at 31 March 2019) and the sensitivity of the estimate to the changes in the key assumptions.

We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

Auditor commentary

We have carried out the following work:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund liability is not materially misstated and evaluated the design of the associated controls
- evaluated the instructions issued by management expert (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert)
- agreed the advance payment previously made to the pension fund to the expected accounting treatment and relevant financial disclosures
- obtained assurances from the auditor of the Merseyside Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

We draw your attention to page 10 where a national issue relevant to all local authorities requires them to consider and assess their circumstances and impact upon the valuation of the pension fund net liability and the pension reserve.

Significant findings - other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Commentary
<p data-bbox="69 517 1059 544">1 Net Pension Liability – McCloud judgement</p> <p data-bbox="181 555 1043 738">The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension scheme where transitional protections were given to scheme members. The Government recently applied to the Supreme Court for permission to appeal this ruling, but the permission to appeal was unsuccessful. We understand the case will now be remitted back to employment tribunal for remedy.</p> <p data-bbox="181 754 1059 903">The legal ruling around age discrimination (McCloud-Court of Appeal) has implications not just for the directly affected pension funds, but also for other public sector pension schemes where they have implemented transitional arrangements on charging benefits, including the local government pension scheme.</p> <p data-bbox="181 919 1043 1133">Discussion have been ongoing through the year in the sector regarding the impact of the ruling on the financial statements of local government bodies. Many Councils had initially included the impact of the McCloud judgement as a contingent liability in their 2018/19 accounts. However as the picture has now become clearer there is now a general acceptance that the increased liability, where material, should be reflected in the IAS 19 figures in the balance sheet.</p>	<ul style="list-style-type: none"> <li data-bbox="1095 512 2051 603">• The Council has reviewed their judgement and accounting treatment for the McCloud ruling, as the draft financial statements did not factor in the impact of the case in the pension liability figures provided by the Actuary. <li data-bbox="1095 619 2051 738">• The Council requested the Actuary to perform a review of the impact of the McCloud case. The revised report from the actuary estimated the impact on the Council's net pension liability to be an increase of £16.7m which is above our materiality figure. <li data-bbox="1095 754 2051 810">• We have obtained assurance from our internal actuaries over the assumptions and methods employed by Mercers in compiling the McCloud liability estimates. <li data-bbox="1095 826 2051 887">• The Council has amended its financial statements for the impact of the McCloud judgement disclosing the increase in the net pension liability of £16.7m.

Significant findings - other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Commentary
<p>2 Minimum Revenue Provision (MRP) accounting</p> <p>The Council is required to set aside a prudent provision (Minimum Revenue Provision) each year for in respect of its Capital Financing Requirement..</p> <p>Independent advice received by the Council – based on changes in legislation – indicated a potential over provision in previous years due to deferred charges and long term debtors being excluded from the original calculation in 2004.</p> <p>In the initial draft financial statements the Council adjusted MRP by £26.36m and created a Debt re-profiling reserve. In our the Council's initial accounting treatment was not appropriate and the MRP charge in any year cannot be negative.</p>	<p>We have carried out the following work:</p> <ul style="list-style-type: none"> • Reviewed the independent advice received by the Council • Reviewed the calculations for the assessment of the over provision • Discussed the initial accounting treatment with management • The Council has amended the financial statements to remove the debt re-profiling reserve which has the effect of reducing usable reserves by £25.98m. • Looking ahead the Council is continuing to consider the advice that it has received and is exploring options for recovering any MRP overpayment, whilst ensuring that it complies with the statutory guidance.
<p>2 Investments held at fair value through Other Comprehensive Income (FVOCI)</p> <p>The Council has long term investments in pooled investment vehicles with a value of £0.942m. It has designated these investments as at Fair Value through Other Comprehensive Income.</p>	<ul style="list-style-type: none"> • Our view is that these pooled investments do not meet the definition of equity for the issuers and so the designation is inappropriate. • We consider the Council's treatment, which is based on external independent advice, to be departure from the Code, although these assets and related gains and losses are not material at the reporting date.

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Other - £464.8m	<p>Other land and buildings comprises of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use value (EUV) at year end. The Council has engaged its in house valuers to complete the valuation of properties as at 31 March 2019 on a five yearly cyclical basis and annually for significant assets. 84% of total assets were revalued during 2018/19. The valuation of properties valued by the valuer has resulted in a net increase of £42.73m.</p> <p>Management have considered the year end value of non-valued assets, and the potential valuation change in the assets revalued at 31 March 2019. This involved a review of the potential impact of indices on the asset value to determine whether there has been a material change in the total value of these assets. Management's assessment of assets not revalued has identified no material change to the assets' value.</p> <p>Investment property and surplus assets are required to be valued annually and at fair value.</p>	<p>We reviewed the detail of your assessment of the estimates, considering;</p> <ul style="list-style-type: none"> • the assessment of management's expert, your internal valuer; • The completeness and accuracy of the underlying information used to determine the estimates; • The reasonableness of the overall increase in the estimates; and • The adequacy of the disclosure of the estimates in the financial statements. <p>We have reviewed and challenged management's assessment of the potential impact of those assets not formally revalued this year. We have reviewed the Council's methodology and assumptions used during this review and found them to be reasonable.</p>	

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

Summary of management's policy	Audit Comments	Assessment																								
<p>Net pension liability – £539.4m</p> <p>The Council's net pension liability at 31 March 2019 is £539m (PY £457m) comprising the Local Government Pension Scheme and unfunded defined benefit pension scheme obligations.</p> <p>The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £47.956m net actuarial loss during 2018/19.</p>	<ul style="list-style-type: none"> We reviewed the detail your assessment of the estimate, considering; assessment of management's expert, Mercers; the completeness and accuracy of the underlying information used to determine the estimate; the reasonableness of the Council's share of the LGPS assets; the reasonableness of the overall increase in the estimate; and the adequacy of the disclosure of the estimate in the financial statements. <p>External auditors are provided with assurance in the form of an auditors expert report from PwC to assess the assumptions made by the Actuary. The table below sets out the key assumptions</p> <table border="1" data-bbox="779 647 2150 1177"> <thead> <tr> <th></th> <th>Actuary Value</th> <th>Within PwC Report ranges</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.4%</td> <td>Yes</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.3%</td> <td>Yes</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.7%</td> <td>Yes</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>22.2 current 25.2 future</td> <td>Yes</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>25.0 current 27.9 future</td> <td>Yes</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Other than the issue already noted on page 9 regarding the McCloud judgement, there are no further issues to note from the work carried out. 		Actuary Value	Within PwC Report ranges	Assessment	Discount rate	2.4%	Yes	●	Pension increase rate	2.3%	Yes	●	Salary growth	3.7%	Yes	●	Life expectancy – Males currently aged 45 / 65	22.2 current 25.2 future	Yes	●	Life expectancy – Females currently aged 45 / 65	25.0 current 27.9 future	Yes	●	●
	Actuary Value	Within PwC Report ranges	Assessment																							
Discount rate	2.4%	Yes	●																							
Pension increase rate	2.3%	Yes	●																							
Salary growth	3.7%	Yes	●																							
Life expectancy – Males currently aged 45 / 65	22.2 current 25.2 future	Yes	●																							
Life expectancy – Females currently aged 45 / 65	25.0 current 27.9 future	Yes	●																							

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings - Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process

The Council has reviewed their going concern position and has concluded that it is appropriate to produce their accounts on a going concern basis and no material uncertainties exists.

Auditor commentary

- The Council's use of going concern basis of accounting is appropriate.
- The Council has provided us with its judgements for its assessment of going concern.
- The disclosure of the going concern basis within the financial statements is satisfactory.

Work performed

We have considered the financial standing of the Council and reviewed management's assessment of going concern and the assumptions and supporting information.

Auditor commentary

- No material uncertainty identified.
- As we note in our commentary on the Council's financial standing, there was a £0.6m underspend in 2018/19 and whilst the General Fund balances have reduced during the year, the closing balances were in line with the target level for the year of £10m. The Council has set a balanced budget for 2019/20 and updated its Medium Term Financial Strategy to 2022/23. This strategy demonstrates that the Council should have sufficient resources to meet its obligations in the medium term.

Concluding comments

The Council's use of going concern basis of accounting is appropriate

Auditor commentary

- Our opinion is expected to be unmodified in respect of the going concern conclusion.

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
① Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with Management, Internal Audit the Audit and Risk Management Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
② Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed. We noted that a number of Councillors did not return their declarations of interests in a timely manner and Council Officers have had to spend considerable time following this up.
③ Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
④ Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council.
⑤ Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to banks and other institutions in relation to borrowings and investments. This permission was granted and the requests were sent. The requests were returned with positive confirmation,
⑥ Disclosures	<ul style="list-style-type: none"> The Chief Executive's name was omitted from the draft financial statements Note 33 Officer's Remuneration table for 2018/19. The Accounts and Audit Regulations require all officers paid more than £150k to be named in the disclosure note. The omission was identified at an early stage and has now been corrected, however it is something that should have been identified before the draft financial statements were published. We have included a recommendation to ensure this matter is addressed going forward.
⑦ Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none"> Our initial review of the Council's draft financial statements this year identified a range of issues in terms of unexpected entries, non-inclusion of expected disclosures and omissions. We also experienced delays in obtaining explanations and working papers for key entries. A number of revised versions of the financial statement have been produced which has increased the amount of audit testing that has been required to agree all of the amendments. Local government financial reporting requirements are complex and demanding. A significant number of amendments have had to be made to the Council's initial draft financial statements this year and it was not initially clear how the requirements of new reporting standards introduced had been considered. Looking ahead the financial reporting requirements will continue to be demanding, both in terms of known new reporting standards and the nature of the Council's partnership working including the new Growth Company. Looking ahead it is important the Council reviews its financial reporting arrangements to ensure that they continue to be fit for purpose and that sufficient and appropriate capacity is in place to produce materially accurate financial statement by the required dates. Management has already started to review the position and produced an initial report for consideration by members.

Other responsibilities under the Code

Issue	Commentary
① Other information	<ul style="list-style-type: none"> We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E</p>
② Matters on which we report by exception	<p>We are required to report on a number of matters by exception including:</p> <ul style="list-style-type: none"> If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit If we have applied any of our statutory powers or duties. <p>We have nothing to report on these matters</p>
③ Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold of £500m we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <ul style="list-style-type: none"> Note that work is planned to be carried out during September 2019 on the Council's WGA consolidation.
④ Certification of the closure of the audit	<p>We are unable to certify the closure of the 2018/19 audit of Wirral Council because our work on the Whole of Government Accounts is not yet complete and there are outstanding public challenge issues.</p>

Value for Money

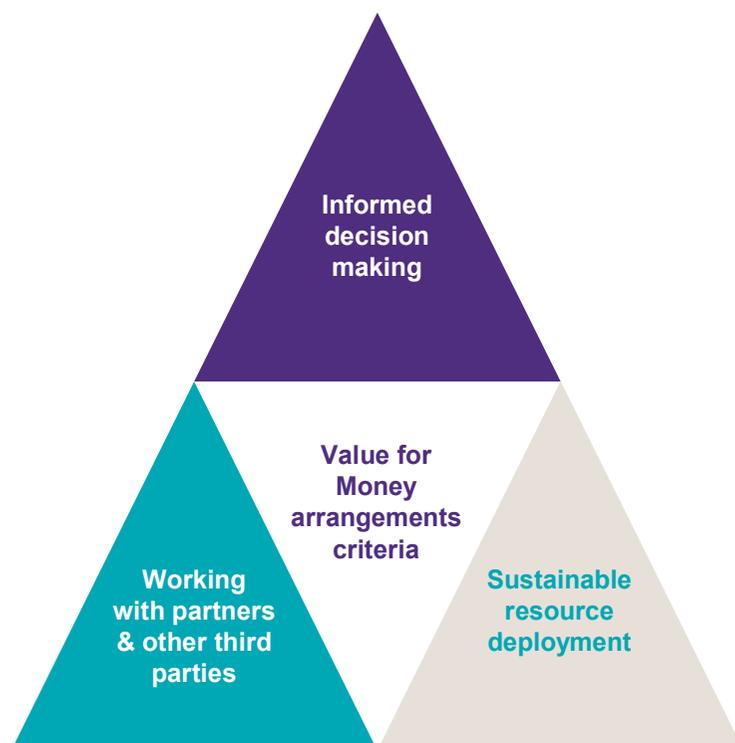
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in February 2019 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated February 2019.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The Council's arrangements for updating, agreeing and monitoring its financial plans, including the arrangements in place to monitor the identification, pace, delivery and reporting of savings.
- The progress of improvement in the Council's Children's Services following the Ofsted Inspection report in September 2016 which rates the service as 'inadequate'.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 18 to 19.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix E.

Recommendations for improvement

Progress has been made in putting the Council on a firm financial footing although significant challenges remain. In setting the budget for 2019/20 the Council has significantly reduced the reliance on one-off use of reserves (now just £9m). However there has been a significant reduction in available revenue reserves over the last few years and there remains a significant budget gap going forward. The Director of Finance has introduced a new medium-term financial strategy and engaged with members on the challenges faced. Going forward it is important that the Council continues to take steps to reduce the budget gaps and ensure that available reserves remain appropriate.

Significant difficulties in undertaking our work

We were not able to conclude our audit until we had an opportunity to consider the full Ofsted report on the Council's children's services. The report was published on 29 July 2019.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings	Conclusion
1	<p>Financial Planning and sustainability</p> <p>The Council continues to face an increasingly difficult financial position. The Medium Term Financial Strategy 2017-2021 set out a £132m budget gap and in July 2018 Cabinet agreed the updated Medium Term Financial Strategy with a budget gap of £45m for 2019/20 and £22m to be identified for 2020/21 to 2022/23.</p> <p>The Council recognises that the balanced position in 2017/18 and 2018/19 have been achieved, in part, through the use of “one-off” options including the use of balances and reserves.</p>	<p>We reviewed the arrangements that are in place for updating, agreeing and monitoring the Council’s financial plans including the assumptions within them. We identified that that Budget Monitoring Reports are produced and presented to Cabinet on a quarterly basis. These reports include updates on revenue and capital budgets and spend.</p> <p>The reports provide a useful breakdown of each individual earmarked reserve as well as the overall forecasted general reserves position as at 31 March 2019. The year end outturn report provides an assessment of the adequacy of reserves which considers future demands as well as highlighting future risks and opportunities.</p> <p>The Council agreed a net budget of £300.5m for 2018/19 in March 2018/19 which was subsequently amended to £301.9m in Quarter 2, largely due to the increased expenditure for the Children’s Services transformation programme of £1.1m. The year end 2018/19 position shows an underspend for the Council of £0.6m compared to the revised budget. This budget included the use of over £26m one-off measures to support the provision of services of which £14.3m related to the use of capital receipts.</p> <p>The general fund balance at March 2019 is £10.7m which is a decrease of £14.2m from the closing balance at March 2018. The Council has set a minimum general fund balance of £10m going forward which it considers to be a reasonable level in case of unforeseen financial difficulties. Overall available revenue reserves has fallen from £106m in March 2015 to £70m at March 2019.</p> <p>Looking forward, the revised MTFs shows an accumulative budget gap of £67m over the four years with expected savings of £45m to be achieved in 2019/20 to balance the budget. The Council will no longer be looking to rely on one off funding to meet the provision of services. It is however, anticipating income to be generated through the Growth Company, with £5m expected to be received in 2019/20.</p>	<p>Auditor view</p> <ul style="list-style-type: none"> We have established that there are appropriate arrangements in place for the in year reporting and monitoring the financial position of both the revenue and capital budgets. Whilst the financial challenges facing the Council exist, it is clear that there is a five year financial plan which aims to tackle such challenges. <p>Management response</p> <ul style="list-style-type: none"> The Council has made significant progress in terms of the development of its Medium Term Financial Strategy, with further improvements planned through a new Financial Sustainability Programme.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings	Conclusion
1	<p>Ofsted Inspection of Children’s Services</p> <p>Ofsted issued a report on the Council's children's services in September 2016 which rated the service as 'inadequate'. Subsequently, the Council has undertaken a range of actions, significantly increased funding to the service and worked toward securing the required service improvement. Until such time as Ofsted has confirmed that adequate arrangements are in place this remains a significant risk to the Council's arrangements.</p>	<p>We have reviewed the Ofsted monitoring reports received during 2018/19 which indicate that there has been a steady improvement since the 2016 inadequate rating. For example in September 2018 the report disclosed “The quality of social work practice in each case was effective and making a difference”. The December 2018 monitoring report stated ‘There has been significant work to improve the service offered to all care leavers since the inspection in 2016.’</p> <p>Ofsted have now issued their reinspection/follow up report (July 2019). The service is now rated as ‘Requires improvement to be good’. The report confirms that improvements have been made and a better service for children is being delivered. Whilst not all areas have improved at the same pace, Ofsted acknowledge that the Council has clear plans in place to address this.</p>	<p>Auditor view</p> <ul style="list-style-type: none"> • The improvement in Children’s Services throughout 2018/19 is clearly demonstrated through the monitoring reports and reinspection report. • We are satisfied that actions are appropriately monitored and reported on. • That there were adequate arrangements in place during 2018/19.

Other statutory powers and duties

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

Issue	Commentary
1 Objections and Questions at audit	<ul style="list-style-type: none">• We received an objection to the Council's 2015/16 accounts in relation to the Council's Lender Option Borrower Option Borrowing. The objector requested that we prepare a public interest report and apply to the courts for a declaration that Wirral Council's Lender Option, Borrower Option borrowing is unlawful. We issued our Provisional views to the objector in May 2019 and have now received a response from the objector. We are currently considering the objector's response before issuing our final decision.• We have received an objection to the Council's 2018/19 accounts and also formal questions at audit. We are currently dealing with this formal correspondence.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. No non-audit services were identified which were charged from the beginning of the financial year to 23 September 2019, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing benefits claim	17,500 + £870 for any additional 40+ workbook	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £17,500 in comparison to the total fee for the audit of £123,095 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Teachers' Pension return	4,200	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,200 in comparison to the total fee for the audit of £123,095 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
CFO Insight	12,500	Self-Interest (because this is a recurring fee)	The fee is a subscription. However the fee for this work is small in comparison to the total fee for the audit and in particular for Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level

Action plan

We have identified two recommendations for the Council as a result of issues identified during the course of our audit this year. We have agreed our recommendations with management and we will report on progress on these recommendations during the 2019/20 audit. 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.

Assessment	Issue and risk	Recommendations
1	 <ul style="list-style-type: none"> The Council's draft financial statements published on its website at the end of May 2019 did not disclose the name of the Chief Executive in Note 33 Officers' Remuneration. The Accounts and Audit Regulations require that all senior officers who receive remuneration in excess of £150k should be named in the disclosure note. The disclosure has now been amended. 	<ul style="list-style-type: none"> The Council should ensure that its quality control arrangements are enhanced to ensure that the draft financial statements are compliant with the statutory disclosure requirements before they are published as a draft. <p>Management response</p> <ul style="list-style-type: none"> Quality control over the Statement of Accounts will form part of the Council's wider review of Closedown Processes.
2	 <ul style="list-style-type: none"> As has already identified there is scope to improve the Council's accounts closedown process. The Council should complete its review of the closedown arrangements and ensure that it has sufficient and appropriately qualified resources in place to deliver the draft financial statements that require minimal amendment and review. 	<ul style="list-style-type: none"> The Council should ensure that it enhances its arrangements for production and review of the draft financial statements. <p>Management response</p> <ul style="list-style-type: none"> Arrangements for the production and review of the Statement of Accounts will form part of the Council's wider review of Closedown Processes.

Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

Follow up of prior year recommendations

We identified the following issues in the audit of Wirral Council's 2017/18 financial statements, which resulted in 2 recommendations being reported in our 2017/18 Audit Findings report.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	<ul style="list-style-type: none"> The Council continues to face a challenging financial position. Whilst progress has been made in establishing a new Growth Company a significant proportion of the £61m budget gap in 2018/19 is being met through one-off uses of reserves and expected asset sales. This approach cannot continue and more needs to be done to put the Council on a firm financial footing going forward. It is now critical that action is taken to deliver a sustainable and robust financial plan on which the Council can operate over the longer term. It is important that officers and members work together effectively to make this happen. 	<ul style="list-style-type: none"> Progress has been made in putting the Council on a firm financial footing although significant challenges remain. The budget was monitored and reported on a monthly basis to maintain an approach of robust financial management throughout the year. In setting the budget for 2019/20 the Council has significantly reduced the reliance on one-off use of reserves (now just £9m) however there has been a significant reduction in available revenue reserves over the last few years and there remains a significant budget gap going forward. The Director of Finance has introduced a new medium-term financial strategy and engaged with members on the challenges faced. Going forward it is important that the Council continues to take steps to reduce the budget gaps and ensure that available reserves remain appropriate.
2	✓	<ul style="list-style-type: none"> The Council's draft financial statements published on its website at the end of May 2018 did not include a draft Annual Governance Statement as is required under the Regulations. It is important that the Council accelerates its process for preparing the Annual Governance Statement going forward to ensure a draft is available to be published by the end of May. 	<ul style="list-style-type: none"> The draft Annual Governance Statement was included in the Council's draft financial statements which were published on its website at the end of May 2019.

Assessment

- ✓ Action completed
- X Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
1 Pensions adjustment for the impact of the McCloud ruling Re-measurement of the net pension liability	Cost of Services 11,093 Remeasurement of the Net Pension liability 5,610	Pension liability (16,703) Pension reserve 16,703	16,703
2 Minimum Revenue Provision (MRP) accounting reversal The capital adjustment account has been increased by £25,981 reversing the impact of the re-assessment of the past provision of the MRP charge.		Useable reserves (25,981) Unusable reserves 25,981	
Overall impact	£16,703	£16,703	£16,703

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Comprehensive Income and Expenditure Statement	<ul style="list-style-type: none"> Additional narrative disclosed to explain the restatement of the 2017/18 figures. This is due to re-presenting the statement to align with the Directorate format adopted by the Council for monitoring financial performance during 2018/19. A note to accompany the restatement has been added to the Notes to the financial statements (Note 49) 	<ul style="list-style-type: none"> Where statements have been restated, explanations should be disclosed. 	Yes
Movement in Reserves Statement	<ul style="list-style-type: none"> A total general fund balance column has been added The statement has been adjusted for the MPR reversal and pensions adjustments following the McCloud ruling 	<ul style="list-style-type: none"> This enables the reader to understand the total general fund balance at the year end. Material adjustments amended 	Yes
Balance Sheet	<ul style="list-style-type: none"> Long term liabilities have been increased by £16.7m for the pension adjustments following the McCloud ruling. Useable reserves have been reduced by £26m and Unusable reserves increased by £9.3m which is the net impact of the MRP reversal and increase in pension liability. 	<ul style="list-style-type: none"> Material adjustments amended 	Yes
Cash Flow Statement	<ul style="list-style-type: none"> The movement of £11.1m between the net surplus/deficit on the provision of services and non – cash movements for the pension adjustments. 	<ul style="list-style-type: none"> Material adjustments amended 	Yes
Accounting Policies	<ul style="list-style-type: none"> Additional disclosures included to explain the implications of IFRS 9 and 15 	<ul style="list-style-type: none"> Disclosures as required by the Code 	Yes

Audit Adjustments

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Accounting Policies – PFI	<ul style="list-style-type: none"> Additional information added to explain the Wirral Schools' PFI scheme 	<ul style="list-style-type: none"> Disclosures as required by the Code 	Yes
Material Items of Income and Expense	<ul style="list-style-type: none"> Additional disclosures to include the impact of the McCloud ruling on the pension liabilities and the sale of Acre Land Professional Excellence Centre 	<ul style="list-style-type: none"> To bring to attention to the reader significant items of income and expenditure 	Yes
Note 8 Adjustments between accounting basis and funding basis under regulations	<ul style="list-style-type: none"> The note has been adjusted for the reversal of the MRP re-profiling reserve and the narrative removed for the explanation for the inclusion of the reserve 	<ul style="list-style-type: none"> The correction of the MRP over-provision for the prior periods. 	Yes
Note 9 Expenditure and Funding Analysis	<ul style="list-style-type: none"> Adjustments made for MRP reversal and pensions adjustments following the McCloud ruling. 	<ul style="list-style-type: none"> Material adjustments amended 	Yes
Note 10 Transfers to/(from) Earmarked General Fund Reserves	<ul style="list-style-type: none"> Removal of the Debt reprofiling reserve following the reversal of the MRP accounting treatment 	<ul style="list-style-type: none"> Material adjustment amended 	Yes
Note 33 Officer remuneration	<ul style="list-style-type: none"> The inclusion of the name of the Chief Executive, Eric Robinson within the remuneration table. 	<ul style="list-style-type: none"> Statutory requirement to name the Chief Executive 	Yes
Note 34 External Audit Costs	<ul style="list-style-type: none"> The addition of the fees incurred for non audit services provided (CFO Insights subscription) 	<ul style="list-style-type: none"> Disclosures as required by the Code 	Yes

Fees

We confirm below our final fees charged for the audit

Audit Fees	Proposed fee	Final fee	2017/18 fee
Council Audit	£123,095	£123,095	£159,863
Additional audit fees to be agreed with the Director of Finance and Investment and approval of PSAA			
• McCloud issues		£3,000	
• Additional audit work involved in auditing the pensions disclosures		£3,000	
• Additional audit work involved in auditing the Council's assets revaluations		£3,000	
• Additional unplanned audit work due to amendments to the draft financial statements		£7,000	
Total audit fees (excluding VAT)	£123,095	£139,095	£159,863

The additional fees are subject to approval by Public Sector Audit Appointments Ltd

Non Audit Fees

Fees for other services	Fees £'000
Audit related services:	
Certification of claims and returns	29
Non-audit services	
CFO Insights	13
	42

Audit opinion

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

Independent auditor's report to the members of Wirral Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Wirral Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement the Balance Sheet, the Cash Flow Statement, and all notes to the financial statements, including the significant accounting policies. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance and Investment's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance and Investment has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance and Investment is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement other than the financial statements and, our auditor's report thereon and our auditor's report on the pension fund statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Audit opinion

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance and Investment and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 20, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Investment. The Director of Finance and Investment 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as Director of Finance and Investment determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Investment is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Risk Management Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report

Audit opinion

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that 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 2019.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangement for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2019 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our consideration of objections brought to our attention by local authority electors. We are satisfied that this matter does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's 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.

To be signed

Robin Baker, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Liverpool

To be dated



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