

# The Annual Audit Letter for Wirral Council

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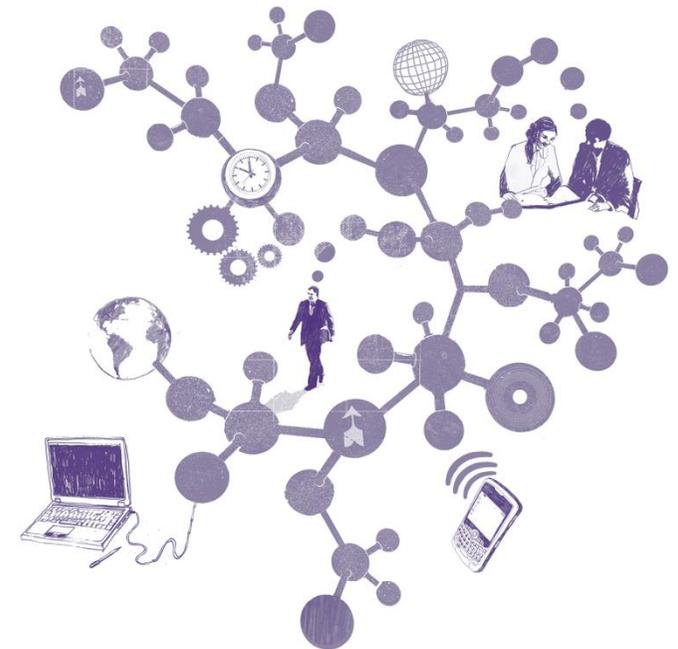
**Year ended 31 March 2015**

October 2015

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# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Wirral Council ('the Council') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in March 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

## **Financial statements audit (including audit opinion)**

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 28 September 2015 to the Audit and Risk Management Committee. The key messages reported were:

- the draft financial statements were amended to include a third balance sheet to properly reflect the prior period adjustment in relation to the recognition of schools. This was a presentational change and our audit did not identify any material issues affecting the Council's reported financial position
- the draft accounts were prepared to a good standard and supported by appropriate working papers
- we identified a small number of material presentational errors and officers 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.

We issued an unqualified opinion on the Council's 2014/15 financial statements on 29 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

## **Looking forward**

The Council will continue to face a number of challenges in 2015/16 and beyond and include:

- Ensuring that appropriate plans are in place to value transport infrastructure assets in accordance with the Code of Practice on Transport Infrastructure Assets from 2016/17 onwards. This requirement is likely to result in significant changes to local authority financial statements with estimates of the cumulative impact nationally ranging from £200bn - £400bn. To help the Council meet the implementation date it is important that we have continued effective discussions and we will assess the plans put in place to address the matters arising from this implementation.
- Meeting the significant challenges brought about by the requirement to bring forward the accounts publication date from 30 September to 31 July for the 2017-18 accounts and onwards. Moving the timetable forward by two months will require a detailed review of the final accounts closedown process and we will work with the Council to agree a suitable timetable and help identify key actions to help achieve the required outcome.

## Key messages continued

### Value for Money (VfM) conclusion (continued)

We issued an unqualified VfM conclusion for 2014/15 on 29 September 2015.

Our review recognised that 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 Council successfully delivered its planned budget in 2014/15 and 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 set a balanced budget for 2015/16 that included a savings programme of £38 million. Currently, the Council has identified that whilst over £28 million of the savings will be deliverable in year some slippage has occurred. The 2015/16 budget has been adjusted to reflect this through the use of reserves and an element of the General Fund balance. At 30 June 2015 the Council was forecasting an overspend of £2.9 million primarily due to demand pressures. Further work has been undertaken to secure corrective action and at 30 September the forecast overspend had been reduced to £0.7m.

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 and for greater devolution across the City Region to maximise the benefit of all resources 'invested' in Wirral. The delivery of the new Plan will require new skills and the establishment of new ways of working.

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.

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# Key messages continued

## **Value for Money (VfM) conclusion - continued**

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 put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015. We made a number of recommendations and they are set out at appendix A along with a response from Management.

The NAO has recently consulted on the approach to be adopted for the value for money conclusion for the 2015/16 audit. The outcome of the consultation is yet to be published. The consultation documents put forward a changed definition for the 'proper arrangements' an authority should have in place to secure economy, efficiency and effectiveness in its use of resources. We will be working closely with officers to implement the changes and will summarise the changes in approach in our Audit Plan to be issued early in 2016.

## Key messages continued

<b>Whole of Government Accounts</b>	We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.
<b>Certification of housing benefit grant claim</b>	Our work on the certification of the grant claim within the scope of the Audit Commission regime is on going. The detailed findings of our work will be reported to the Audit and Risk Management Committee on completion of our work.
<b>Audit fee</b>	Our fee for 2014/15 was £213,150, excluding VAT which was in line with our planned fee for the year . Further detail is included within appendix B.

# Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Recommendation	Priority	Management response/ responsible officer/ due date
<b>VFM CONCLUSION</b>			
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"> <li>• Absence data and trigger reports are available to all managers on their desktop via self-serve.</li> <li>• 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.</li> <li>• Any areas of mis-reporting will be monitored and action taken as appropriate.</li> <li>• Specific support is provided to managers to deal with long-term complex cases with OH support as required.</li> <li>• 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.</li> <li>• Support is provided to employees via the employee assistance and health and wellbeing programmes.</li> <li>• The Attendance Management policy has been reviewed in August 2015 and a number of changes have been improved to improve effectiveness of policy.</li> </ul> <p><b>Responsible officer:</b> - Chris Hyams - Head of Human Resources and Organisational Development  <b>Due date:</b> On going</p>

# Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Recommendation	Priority	Management response/ responsible officer/ due date
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	<p>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.</p> <p><b>Responsible officer:</b> Malcolm Flanagan - Head of Business Processes  <b>Due date:</b> On - going</p>
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	<p>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.</p> <p><b>Responsible officer:</b> Tom Sault, Head of Financial Services &amp; Senior Leadership Team  <b>Due date:</b> On going with updated budget proposals to the Executive December 2015/ February 2016.</p>
4	Ensure that robust business plans, strategies and financial plans are now put in place to help achieved the stated outcomes.	High	<p>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.</p> <p><b>Responsible officer:</b> Senior Leadership Team / Cabinet  <b>Due date:</b> On going</p>

# Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

## Fees for audit services

	Per Audit plan £	Actual fees £
Council audit	213,150	213,150
Housing benefit grant certification fee	31,800	*31,800
<b>Total audit fees</b>	<b>244,950</b>	<b>244,950</b>

\* - We have undertaken further work on the 2013/14 Housing Benefit grant in response further questions raised by DWP following submission of our qualification letter. We have also undertaken a further review and testing of additional work carried out by the Council in response to DWP queries. We are seeking confirmation of an additional fee in relation to this work.

## Fees for other services

Service	Fees £
<b>Audit related services</b>	
• Teachers' Pensions Return	4,200
• Regional Growth Fund Audit Report	3,890
<b>Non-audit related services</b>	
• Place Analytics	10,000

## Reports issued

Report	Date issued
Audit Plan	March 2015
Audit Findings Report	September 2015
Certification Report	To follow
Audit and Risk Management Committee updates	January 2015 March 2015
Annual Audit Letter	October 2015



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