

The Audit Findings for St Helens Council

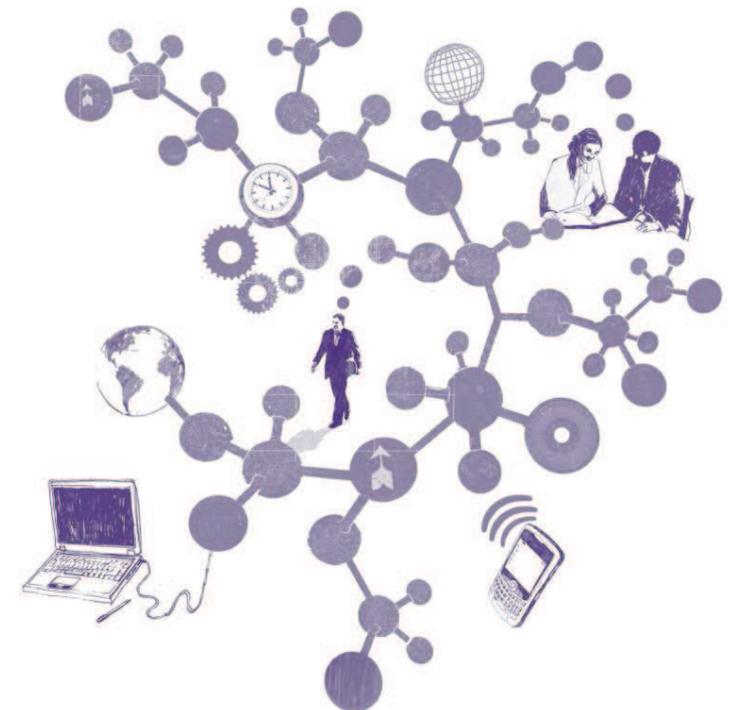
Year ended 31 March 2015

14 September 2015

Robin Baker
Engagement Lead
T 0161 214 6399
E robin.j.baker@uk.gt.com

Stephen Nixon
Manager
T 0161 234 6362
E stephen.r.nixon@uk.gt.com

Dianne Webster
Executive
T 0161 214 6364
E dianne.m.webster@uk.gt.com



Contents

Section	Page
1. Executive summary	3
2. Audit findings	6
3. Value for Money	17
4. Fees, non-audit services and independence	23
5. Communication of audit matters	25

Appendices

- A Action plan
- B Audit opinion

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

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

Executive summary

Purpose of this report

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

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

Introduction

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

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

- completion of a small amount of audit testing of planned audit testing
- final review of the audit file
- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation

- review of final version of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion; and
- our review of your Whole of Government Accounts submission.

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

Key messages

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements on 28 September 2015. We have worked closely with the Council's finance team and are pleased to report that:

- as last year, the draft accounts were prepared to a good standard and were supported by comprehensive working papers
- there are no significant amendments to the accounts as a result of our audit.

We have not identified any adjustments affecting the Council's reported financial position. The Council reported a deficit on the provision of services of £1.2m matched by a transfer of £9.9m from earmarked reserves and a transfer to the general fund of £3.1m. The financial statements for the year ended 31 March 2015 record net cost of services expenditure of £126.6m. The accounts contain no unadjusted misstatements.

We have agreed a small number of adjustments to improve the presentation of the financial statements. Further details are set out in section two of this report.

Value for Money conclusion

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

The Council continues to demonstrate good financial performance, despite the financial and demographic pressures facing Local Government. The Council has delivered savings over the last few years through rigorously seeking efficiencies and zero based budgeting. Looking ahead over the next two years, on-going reductions in government funding together with cost pressures from inflation will require the Council to continue to explore innovative ways to deliver services and find savings. The budget for 2015/16 is balanced having identified £13.5m of savings, however the Council is currently forecasting that savings totalling £23.1m will need to be found over 2016/17 and 2017/18.

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

Whole of Government Accounts (WGA)

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

Controls

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

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

As part of our audit we have not identified any areas where the Council's Controls are inadequate.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Deputy Chief Executive and Director of Finance and his finance team.

Looking ahead, we will be discussing with officers the arrangements for bringing forward the accounts and audit completion period, including an earlier Audit and Governance Committee date, ahead of the changes to the national deadlines in 2017/18.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Deputy Chief Executive and Director of Finance and the finance team.

Acknowledgment

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

Grant Thornton UK LLP
8 September 2015

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

The draft accounts were prepared to a good standard and there are no significant amendments to the accounts as a result of our audit. We anticipate providing an unqualified opinion on the financial statements.

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit and Governance Committee on 23 June 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan dated April 2015.

Audit opinion

Our proposed audit opinion is set out at Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

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

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

Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Operating expenses</p>	<p>Creditors understated or not recorded in the correct period</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documentation and identification of the processes and key controls within the operating expenses cycle • Walkthrough of controls to confirm our understanding • Substantive testing of operating expenses during the 2014/15 financial year • Agreement of creditors to system balances and control account reconciliations • Review and substantive testing of year end accruals and creditor balances including confirmation that balances due have been settled after the year end • Testing of transactions either side of the year end (Cut-off) to obtain assurance that creditors have been accounted for in the correct financial year. 	<p>Our audit work has not identified any significant issues in relation to the risk identified. Our work included:</p> <ul style="list-style-type: none"> • Testing of a sample of expenditure items which did not identify any issues relating to the accuracy or classification of expenditure • Review and substantive testing of a sample of year end accruals and creditor balances which confirmed the validity and accuracy of balances, and that they had been correctly classified and recorded in the correct financial year • Testing of a sample of payments made in 2015/16 to determine whether the associated expenditure was recorded in the correct financial year. No issues arose from this work.
<p>Employee remuneration</p>	<p>Employee remuneration accrual understated</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documentation and identification of the processes and key controls within the employee remuneration cycle • Walkthrough of controls to confirm our understanding • Substantive testing of payments made to employees during the 2014/15 financial year • Use of analytical techniques to compare expected payroll costs with actual • Review of payroll reconciliations including at the year end. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>Substantive testing of a sample of individuals paid throughout the year did not identify any issues with the accuracy of payments or the calculation of employer "on-costs".</p>

Audit findings against other risks continued

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare Expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> • Reconciliation of the welfare benefits expenditure system to the general ledger and financial statements • Reconciliation of welfare benefit income to grant claim • Substantive testing of a sample of welfare benefit payments • Substantive testing to ensure welfare benefits system is operating the correct parameters and rates • Analytical review. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>Substantive testing of a sample of welfare benefit payments confirmed the accuracy of the benefit entitlement assessments completed by the Council and the payments made to claimants.</p>

Accounting policies, estimates & judgements

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

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council. Council Tax and Non Domestic Rate income is recognised in the Collection Fund on an accruals basis, when it is due from the Council Tax or Non Domestic Rate payer. The Council's share of this income is recognised in the CIES. Government grants are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and the grants or contributions will be received. 	<ul style="list-style-type: none"> The Council's policy is appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code). The main elements of the Council's revenues are predictable and there is minimal judgement required from the Council. The accounting policy is appropriately disclosed in note 1 to the financial statements. 	
Estimates and judgements	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> useful lives of property, plant and equipment pension fund valuations and settlements revaluations and impairments provisions and accruals. 	<ul style="list-style-type: none"> The Council's accounting policies for key estimates and judgements are appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code). The accounting policies are appropriately disclosed in notes 1 and 3 to the financial statements. Our audit testing of key estimates and judgements has considered the extent of judgement involved, the potential impact of different assumptions and the range of possible outcomes. We are satisfied that the key estimates and judgements are appropriate and adequately disclosed. 	

Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate and disclosures sufficient

 Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
<p>Judgement - local authority maintained schools premises</p>	<p>The Council's recognition criteria for schools non-current assets is determined by ownership and the rights of the legal owner. All Community Schools are recognised on the Council's balance sheet. Voluntary Controlled, Voluntary Aided and Academy Schools are not recognised on the Council's balance sheet.</p>	<ul style="list-style-type: none"> The Council has considered the content of the CIPFA Code of Practice and supplementary guidance, and has documented its judgement with supporting evidence. The Council's accounting policy for Schools non-current assets is clearly and fully disclosed in note 2 to the financial statements, and has been consistently applied. The outcome of the review this year has resulted in the de-recognition of five voluntary controlled schools land and buildings, which had previously been included in the Council's balance sheet. This has also resulted in a prior period adjustment to account for the change. Our review of the accounting policy, accounting treatment and evidence to support the Council's judgement has not identified any issues which we wish to bring to your attention. 	
<p>Judgement – Equal Pay liability</p>	<p>The Council sets out its judgement in note 41b that a contingent liability exists for potential equal pay costs. This is because a reasonable estimate of the liability cannot be calculated due to the complexity of the cases and the fact that the legal process for establishing liability are not yet concluded</p>	<ul style="list-style-type: none"> We have considered the Council's approach to accounting for potential equal pay costs in the 2014/15 accounts and have followed the accounting guidance set out in IAS37. We have held meetings with the Council's Head of Legal Services and the Human Resources Department to understand both the legal position with regard to the claims, including the legal advice of the Council's Barrister, and the processes necessary for calculating any potential liability for individual claims. We recognise that the claims lodged with the Council are complex to unravel and largely unquantified and relate to different cohorts of claimants, including claimants who have previously settled. The nature of the claimants makes the legal liability unclear at this stage. Based upon the evidence and explanations provided we are satisfied that the Council's judgement is correct, however given the significance of this matter we have asked the Council for a specific representation. 	

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Judgement – Group Accounts	The Council considers that Group Financial Statements shall not be prepared for 2014-2015 after analysing the detailed arrangements in operation between the Council and its various 'partners'. The joint arrangement with the Langtree Group to redevelop the former Parkside Colliery has been specifically considered, however, the transactions during the year are limited in scope and full detail is provided in Note 4. Consequently, it is considered that preparation of full group financial statements is not necessary for 2014/15 on the grounds of materiality.	We have considered the Council's judgment against relevant accounting standards and are satisfied that group accounts are not required due to materiality, however this position may change during 2015/16.	
Going concern	The Corporate Leadership Team has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have considered the Corporate Leadership Team's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2014/15 financial statements.	
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	

Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate but scope for improved disclosure

 Accounting policy appropriate and disclosures sufficient

Other communication requirements

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

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have written to the Chair of the Audit and Governance Committee and the Deputy Chief Executive and Director of Finance in relation to the risk of fraud. We have not been made aware of any material incidents in the period and no other issues have been identified during the course of our audit and this was re-enforced at the Audit and Governance Committee on 23 June 2015.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council. This includes specific representation regarding potential equal pay liabilities.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no non-trivial omissions in the financial statements.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.
6.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained positive direct confirmations from PWLB, and other banks for loans and short term investment balances. We experienced some delays in obtaining investment confirmations and have recommended that clear details of the investment body be held for audit purposes.

Internal controls

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

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

The internal controls were found to be designed effectively and we have no matters to report to the Audit and Governance Committee.

Amendments, misclassifications & 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.

The accounts contain no unadjusted misstatements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	N/A	Pensions disclosure notes 4b(i) & 7e	St Helens prepaid two years pension deficit contributions in 14/15, on the basis of the receipt of a discount on those future payments. This was optional, however this was not clear in the notes. We therefore requested clarification of this in the disclosures.
2 Minor amendment and disclosure matters	Various	Various	During the course of the audit the Council agreed to make a small number of minor recommended changes to disclosure notes for example audit fees, officer's remuneration and fair value of pension plan assets.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

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

Value for Money

Value for money conclusion

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

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

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

These criteria are:

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

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

Key findings

Securing financial resilience

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

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

Our work highlighted that the Council continues to demonstrate good financial performance, despite the financial and demographic pressures facing local government. The Council has good financial planning and review processes in place, and a track record of delivering financial plans and savings but continues to face financial pressures to deliver the medium term financial plan (MTFP) from 2015/16 onwards. Looking ahead, on-going reductions in government funding together with cost pressures from inflation will require the Council to continue to explore innovative ways to deliver services and find savings. The budget for 2015/16 has been balanced with the identification of £13.5m of savings. However savings totalling £23.1m will need to be found over 2016/17 and 2017/18.

At the same time demand for services is increasing, particularly in the areas of adults and children's social care.

The Council has delivered savings over the last few years by identifying savings following annual zero based budget setting process. The Council is considering changes to the ways that services are delivered, along with a more recent management restructure across the Council.

An important factor in the future financial resilience for the Council is the outcome of the consideration of a significant number of Equal Pay and Equal Value claims. At this stage the potential liabilities have not crystallised and the Council is robustly defending the claims, particularly in the light of the previous collective settlements reached locally. The Council recognise however that this is a key issue and it is important that progress is made with this matter as soon as is possible.

Challenging economy, efficiency and effectiveness

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

- Prioritising resources
- Improving efficiency & productivity

Value for Money continued

The Executive and Senior Management demonstrate clear leadership and challenge to prioritise the Council's resources. The Council has a good record of delivering savings to contain expenditure within available resources, and continues to work well with partners across the NHS and Local Government to prioritise resources effectively and deliver efficiencies. There have been a number of successful and innovative service redesigns to improve service delivery including an integrated S75 healthcare commissioning model with the CCG and also a redesign of the early help / family support service, redeploying staffing and developing a "hub and spoke" model with two fully staffed hubs.

The 2014/15 Ofsted Inspection scored both children's services and the local safeguarding children's board (LSCB) as 'requires improvement'. The inspection concluded that minimum requirements are met but identified scope for improvement. The report made a number of recommendations to improve the quality of services for children and young people and the effectiveness of the LSCB. These were addressed within the Improvement Plans and ongoing monitoring is undertaken through the Chief Officer Group, Children and Young People's Strategic Group and CYPS senior management team with updates brought back to Cabinet. Importantly inspectors confirmed that children are well protected in St.Helens.

The Council has a good record of engaging partners and the public in budget setting. Partnerships are embedded with the voluntary sector, police and Helena Housing to name just a few. The public are consulted on spending plans using the innovative budget simulator on the Council's website where the public are encouraged to identify where savings can be made without adverse impact on services and still provide a balanced budget. The results are used annually to inform the Council budget strategy.

Overall VfM conclusion

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

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

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

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

Theme	Summary findings	RAG rating
Key indicators of financial performance	<p>The 2014/15 accounts show a deficit on provision of services of £1.2m. This was in accordance with the Council's plan and following the approved planned lump sum prepayment to the Merseyside Pension Fund following triennial revaluation. The pension cost was met by a planned transfer from earmarked reserves and resulted in a net £3.1m transfer back to the General Fund at the year end. Corporate Performance Reports are produced monthly for Cabinet and these detail any amendments to variances to budgets. This covers capital and revenue balances.</p> <p>No adverse key financial ratios were reported for 2014/15 and no unexpected unexplained variances arose.</p> <p>The 2014/15 Treasury Management outturn report was reported to Audit Committee on 22/6/15. Again, there are no adverse key financial ratios (Prudential or Treasury) and no cash flow difficulties. The Treasury management strategy was approved by Cabinet on 26/2/14 and regular Treasury Management reports have been provided to Council and Cabinet in each Corporate Finance Report. In summary:</p> <ul style="list-style-type: none"> - No new borrowing was taken during 2014/15 in accordance with the Authority's approach to utilise reserves rather than take external borrowing. No debt rescheduling took place after careful consideration of PWLB rates. At 31/3/15 the Council's debt portfolio comprised PWLB and market debt of £73.4m. - Investment activity was consistent with the Annual Investment Strategy to achieve optimum return from surplus funds within low risk investments and is reflects current market conditions. The Council maintained an average investment balance of £127.6m during 2014/15. At 31/3/15 investments amounted to £113.3m including those managed on behalf of Schools (balances of £9.6m) and Mersey Recycling and Waste Authority cash. 	Green
Strategic financial planning	<p>The 2015-2018 St Helens Plan sets out the Medium Term Financial Plan (MTFP) and focuses on key issues. The Plan is in a user friendly and published format which members of the public will find helpful and informative. Our review of Committee minutes shows robust engagement of Scrutiny committees in review of 2015/16 budget proposals, and the same set of robust principles for budget setting have been rolled forward for several years (this includes not funding current year expenditure from general balances).</p> <p>The Council has set a detailed 2015-16 budget which takes account of the variances and pressures faced (eg impact of Care Bill in 2016 and increases in NI costs). The budget report includes a detailed budget strategy statement for each portfolio service. Total spend/income for 2015/16 is budgeted at £141.8m meaning a neutral net financial position. The budget for 2015/16 includes £13.5m savings. The net financial position per MTFP (St Helens Plan) is as forecast as follows: 2015/16 £0, 2016/17 shortfall £13.1m, 2017/18 shortfall £10m. Total shortfall £23.1m.</p> <p>There are Equal Pay/Equal Value legal claims brought by the main Unions against the Council. We have examined the Council's position in challenging the claims and agree that the amounts involved are as yet not quantified or proven in law. However further appeals will be determined later in 2015 and if upheld and agreed this would have a detrimental impact on the Council's reserves.</p> <p>Financial planning in the longer term is supported by 2020 Vision growth workshops which are helping to develop ideas to address budget deficits. This includes alternative delivery models and shared service options.</p>	Green

Theme	Summary findings	RAG rating
Financial governance	<p>The Council has a functioning committee structure addressing finance, governance and service delivery which works effectively. A register of delegated decisions exists and is available to the public, as are committee agendas and minutes on the Council website. Communication by the leadership team is considered good including intranet updates and the staff magazine. Similar methods are used to inform external stakeholders of the financial position and challenges.</p> <p>The risk register is shared at Audit Committee and the Audit Committee approves the risk management arrangements for the Council. The Council is strengthening these arrangements during 2015/16 following a recent internal review of effectiveness. The S151 officer is actively engaged in decision making and financial management.</p> <p>The MTFP 2015/16 onwards shows a good understanding of the risks facing the Council's financial standing and the economic pressures. The 2015/16 budget proposal contained risk assessments that support the level of reserves.</p> <p>An annual zero based budget setting process takes place across the Council and it therefore falls upon individual budget holders within portfolio spend areas to identify savings - Each year the Treasurer prepares a budget strategy report for Cabinet setting out the financial pressures and where savings could be made. This is subject to approval at Cabinet and the opportunity to suggest better ways of challenging the process to derive VFM.</p>	Green
Financial control	<p>Savings plans are developed within portfolios to plan for the required outturn. This involves public consultation and consultation with staff where required to ensure there is no adverse impact on service delivery. As part of this the public are consulted using the budget simulator on the Council's website where the public are encouraged to identify where savings can be made without adverse impact on services. The results are used to inform the Council budget strategy.</p> <p>Key financial systems are reviewed by Internal Audit and reported to Audit and Financial Monitoring Overview and Scrutiny Committee. Key financial systems are covered by the audits. Internal Audit is provided in house and provides a competent service. Internal Audit provided their 2014/15 annual report confirming no significant control weaknesses were identified during 2014/15.</p> <p>The Council is currently implementing a revised Risk Management Strategy and Policy Statement due for approval in September 2015. The Policy states that Audit and Governance Committee is to oversee the development and effectiveness of Governance arrangements including management of risk. Risks are identified and categorised according to the strategic objectives in the corporate plan (St Helens Plan). These are scored using a 4x4 matrix. Chief officers consult service lines who each have a service plan where lower grade risks are captured and monitored. Each risk is allocated a lead officer and a review date – the system is being updated to ensure that regular reminders are sent to the lead officer to monitor progress depending upon severity. The Strategic Risk Register comprises 58 strategic risks as at 28/8/15.</p>	Green

Theme	Summary findings	RAG rating
Prioritising resources	<p>Consultation with residents and staff to prioritise resources is evident in the St Helens Plan 2015-18 where it is clear that a wide range of people are involved to drive cohesion and involvement. Specific consultation takes place on development issues eg town centre redevelopments right down to consultation with Neighbourhood Management Boards, St Helens Voluntary and Community Sector Compact and Healthwatch.</p> <p>The public are also consulted on spending plans using the budget simulator on the Council's website where the public are encouraged to identify where savings can be made without adverse impact on services and still provide a balanced budget. The results are used annually to inform the Council budget strategy.</p> <p>Local intelligence is gathered from a variety of sources to underpin decision making. Data used includes a borough wide profile which provides information about demographic, socio economic, and environmental trends and pressures that apply to St Helens. Detailed ward profiles are produced by the Council to highlight the varying needs of the differing areas. Profiles are shared with partner organisations. The Council uses scenario analysis to evaluate options. The Council has a good understanding of its costs and actively seeks to reduce these through procurement.</p> <p>There is no evidence of unintended consequences of spending cuts. Monthly reporting takes place in the Budget and Performance Report to Cabinet. The Council has a good track record in this area. The Council also has in place an Impact Assessment Tool to guard against unintended consequences of policy decisions affecting key groups, and this is used as a planning tool for the Council.</p>	Green
Improving efficiency & productivity	<p>As in previous years the Council is examining the implications of future cuts and the actions necessary to deliver the required savings. The Council consults widely through its Budget Consultation and Budget Simulator exercise, encouraging stakeholders and interested parties to advise on the most valued areas of spend. At the same time work continues in the form of Zero-Based Reviews of Portfolio budgets and reviews of specific service areas. However the Authority recognises that the scale of the anticipated future savings requirements will also mean the action required to meet the cuts goes beyond solely seeking additional efficiencies. Fundamental change will be required. There will be a need for the Council to think carefully about the services that communities need, and who is best placed to deliver the outcomes required. There will be the challenge to engage partners and communities, to find new ways of working and examine all possible options to close the financial gap.</p> <p>The effectiveness of key services is borne out by 2014/15 CQC inspections, Audit Commission VFM profiles, Audit Commission Risk Profile and also internal KPI performance monitoring (quarterly to cabinet). The 2014/15 Ofsted Inspection scored both children's services and the local safeguarding children's board (LSCB) as 'requires improvement'. The inspection concluded that minimum requirements are met but identified scope for improvement. The report made a number of recommendations to improve the quality of services for children and young people and the effectiveness of the LSCB. These were addressed within the Improvement Plans and ongoing monitoring is undertaken through the Chief Officer Group, Children and Young People's Strategic Group and CYPS senior management team with updates brought back to Cabinet. Importantly inspectors confirmed that children are well protected in St.Helens.</p> <p>The Council has a track record of identifying and implementing alternative service models during 2014/15. This has included integrated healthcare commissioning with a joint team supported by a S75 agreement between Council and CCG that brings together the Commissioning function for the local health and social care sector with agreed aims and objectives. There has also been a redesign of the early help / family support service, redeploying staffing and developing a "hub and spoke" model with two fully staffed hubs.</p>	Green

Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Fees, non-audit services and independence

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

Fees

	Per Audit plan £	Actual fees £
Council audit	140,142	140,142
Grant certification on behalf of Audit Commission/ PSAA (Housing Benefits)	13,520	13,520
Total audit fees	153,662	153,662

Fees for other services 2014/15

Service	Fees £
Teachers Pensions Agency Certification	2,000

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 Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

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

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

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

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 primarily 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 any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓
Matters in relation to the Group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	✓	✓

Appendices

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p>Investments:</p> <p>Re-visit the process for providing the auditor with third party investment contact details, for example bringing forward the process for 2015/16 and updating contact details.</p>	Medium	Agreed.	<p>Business Support Manager (Corporate Finance) Accountancy, Exchequer and Performance) 31 March 2016</p>
2	<p>Working papers:</p> <p>Hold a post audit wash up session with the audit team to identify areas where Council working papers can be further improved to satisfy audit requirements, given the changes to audit evidence required from year to year.</p>	Medium	Agreed.	<p>Business Support Manager (Corporate Finance) Accountancy, Exchequer and Performance) 31 December 2015</p>

Priority
High, Medium or Low

Appendix B: Audit opinion - Draft

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST HELENS COUNCIL

We have audited the financial statements of St Helens Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of St Helens Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Deputy Chief Executive and Director of Finance and auditor

As explained more fully in the Statement of the Deputy Chief Executive and Director of Finance Responsibilities, the Deputy Chief Executive and Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Deputy Chief Executive and Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:
give a true and fair view of the financial position of St Helens Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:
securing financial resilience; and
challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, St Helens Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

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

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

28 September 2015



© 2015 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk