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The Audit Findings for St Helens Metropolitan Borough Council



St. Helens Council

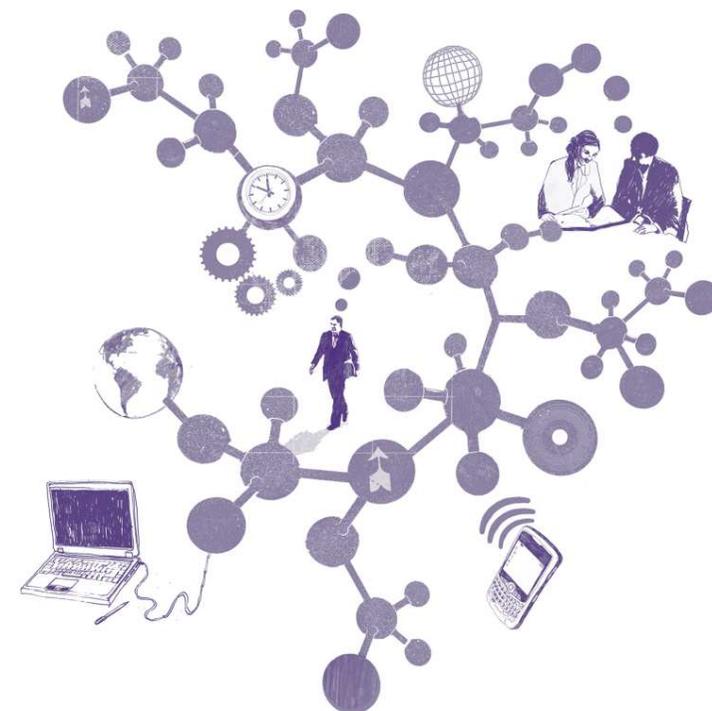
Year ended 31 March 2016

4 August 2016

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This Audit Findings report highlights the key findings arising from the audit for the benefit of those charged with governance (in the case of St Helens Metropolitan Borough Council, the Audit & Governance Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with the Deputy Chief Executive and Strategic Director of Corporate Services

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), 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.

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 and giving a value for money conclusion. 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.

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

Chartered Accountants

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Section 1: Executive summary

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Purpose of this report

This report highlights the key issues affecting the results of St Helens Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2016. 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 (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under 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 whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required to consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);

- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

We are pleased to report that the draft accounts were prepared to a good standard and were supported by comprehensive working papers. The draft financial statements and accompanying working papers were available for us to commence our audit on 6 June 2016, two weeks earlier than the previous year and almost a month ahead of the national deadline.

In the conduct of our audit we have not had to make significant changes to our audit approach, which we communicated to you in our Audit Plan dated March 2016.

As at 4 August 2016 we are completing our procedures or awaiting further information from officers in the following areas:

- awaiting 3rd party confirmations of investment/ cash balances
- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation and
- updating our post balance sheet events review, to the date of signing the opinion.

Subject to clearance of any outstanding queries, we expect to be able to issue our opinion on the financial statements on or shortly after 19 September 2016.

Key audit and financial reporting issues

Financial statements opinion

We have not identified any adjustments affecting the Council's reported financial position. The Council delivered a surplus of £855k on its service revenue income and expenditure for the year, and the financial statements record a net cost of services expenditure of £141.9m.

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

- there are no significant amendments to the accounts as a result of our audit
- there is scope to further improve audit trails and working papers, we will work with the Council to address and
- we have undertaken significant work re the Council's estimate for equal pay provision and found it to be reasonable.

We anticipate providing a unqualified audit opinion in respect of the financial statements following the Audit & Governance Committee on 19 September 2016.

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements.

This includes 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 information of which we are aware from our audit.

Based on our review, we are satisfied that the Annual Governance Statement is not inconsistent with the information of which we are aware from our audit.

Controls

Roles and responsibilities

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

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

Findings

As part of our audit work we have not found any significant controls weaknesses.

Further details and recommendations are provided within section two of this report.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

The Council has good financial budgeting and reporting arrangements and whilst the financial climate remains challenging the Council is in relatively good financial health, having met its savings target for 15/16 and maintaining adequate levels of reserves.

The Council continues to work in partnership with others to provide quality services for the people of St Helens.

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

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Whole of Government Accounts

HM Treasury has only recently issued the Whole of Government Accounts (WGA) data collection tool and has indicated that timetables and deadlines for completion of the WGA in respect of 2015/16 have been revised. Once the Council has submitted the tool for completion, we will liaise with officers to agree a timetable for completion of our review.

The revised deadline for the completion of WGA is now 12 August which is to be audited before the 21 October 2016.

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2016.

We will report the outcome of this certification work through a separate report to the Audit and Governance Committee in January 2017.

The way forward

Matters arising from the financial statements audit and our 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 & Strategic Director of Corporate Services

Acknowledgement

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
August 2016

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

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05. Communication of audit matters

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £8,273k (being 1.9% of gross revenue expenditure). We have considered whether this level is appropriate during the course of the audit and can advise you that we have had no reason to revise this.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £436k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where separate materiality levels are appropriate.

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	We adopt a lower level of a materiality due to public interest in these disclosures and the statutory requirement for them to be made.	£5,000
Disclosure of auditors' remuneration in notes to the statements	There is a statutory requirement and a requirement of ethical and auditing standards that the external auditor's fee for undertaking the audit of the accounts, together with the amount charged for the provision of other services is accurately disclosed.	£1,000
Related Parties	Users of the statements will have an interest in the Council's transactions with related parties. Misstatements affecting the value of the transactions disclosed may alter reader's perception of the Council's relationship with its related parties.	10% of the transactions/balances attributed to each related party

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>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at St Helens Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including St Helens Council, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p> <p>For St Helens we have paid particular attention to the completeness and adequacy of the equal pay provision, which is a significant management estimate.</p>	<ul style="list-style-type: none"> • documented and considered the Council's controls and control environment • testing of journal entries • review of accounting estimates, judgements and decisions made by management, reviewed in some detail the reasonableness of the equal pay provision, interviewing officers, making enquiries re the approach and methodology and reviewing supporting documentation and evidence • review of any other unusual significant transactions 	<p>Our audit work has not identified any evidence of management over-ride 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>By their nature the case of provisions are more uncertain than most items of account. We are satisfied that the amount provided £10.2m is the best estimate of the expenditure required to settle the present obligation as per the requirements of IAS37.</p>

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p>Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<ul style="list-style-type: none"> • Review of the key controls that were put in place by management to ensure that the pension fund liability was not materially misstated. • Review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation. • Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. • Review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</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.

Transaction cycle	Description of risk/s	Work completed	Assurance gained & issues arising
Employee remuneration	Employee remuneration accruals understated and Remuneration expenses not correct.	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken a walkthrough of the key controls to assess the whether those controls were in line with our documented understanding for assertion level risks • tested the year-end reconciliation of the payroll system to the ledger • Completed a month by month trend analysis to identify 12 months have been included and no unusual fluctuations exist • Substantively tested accuracy of payments made to bona fide employees • agency staff have been tested as part of operating expenses 	Our audit work has not identified any significant issues in relation to the risk identified.
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated).	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • Undertaken a walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • tested the year end reconciliation of accounts payable to the ledger • agreed creditors balance to control accounts reconciliations and sample tested a number of creditors for settlement and • year end "cut-off" testing to obtain assurances that creditors have been accounted for in the correct year. 	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks (continued)

Transaction cycle	Description of risk/s	Work completed	Assurance gained & issues arising
Property plant and equipment (PPE)	<p>Valuation of property, plant and equipment.</p> <p>The Council revalues its assets on a rolling basis over a five year. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value.</p> <p>This represents a significant estimate by management in the financial statements.</p>	<p>Review of management's processes and assumptions for the calculation of the estimate.</p> <p>Review of the competence, expertise and objectivity of any management experts used.</p> <p>Review of the instructions issued to valuation experts and the scope of their work.</p> <p>Discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions.</p> <p>Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding.</p> <p>Testing of revaluations made during the year to ensure they were input correctly into the Council's asset register.</p> <p>Evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value.</p>	Our audit work has not identified any significant issues in relation to the risk identified

Accounting policies, estimates and 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
<p>Revenue recognition</p>	<p>Revenue from the provision of sale of goods is recognised when the Council transfers the risks and rewards to the purchaser, revenue from services is recognised when the Council can measure reliably the percentage of completion of the transaction and for both where it is probable that economic benefits or service potential associated with the transaction will flow to the Council i.e. when the Council has invoiced the other party.</p> <p>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.</p> <p>Council Tax and NNDR income is accrued in accordance with the assessed liability for the period.</p>	<p>The Council's policy is appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code).</p> <p>The main elements of the Council's revenue is prudent and predictable and there is minimal judgement required from the Council.</p> <p>The accounting policy is appropriately disclosed on page 17 of the financial statements.</p>	<p style="text-align: center;">● Green</p>
<p>Judgements and estimates</p>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> • no requirement for group accounts • accounting for schools • useful lives of property, plant and equipment • revaluations and impairments • pension fund valuations and settlements • provisions and accruals (including equal pay provision) 	<p>We reviewed the assertion that the Council are not required to produce group accounts and agree that the differences would be immaterial.</p> <p>We have reviewed the approach for accounting for schools – no matters to report.</p> <p>Valuations and useful lives of the Councils asset base have been prepared in line with the Royal Institution of Chartered Surveyors (RICS). Similarly the Council rely on the work of an expert for pension fund valuations and settlements. We have reviewed the adequacy of these arrangements and any influence the Council may have brought to bear on the assumptions. No matters to report.</p> <p>We have reviewed provisions for reasonableness and significant omission – no significant matters to report. As a minor point the Council's policy states that provisions are charged to appropriate service lines, however, the equal pay provision is disclosed as and exceptional item which is transparent and reasonable.</p>	<p style="text-align: center;">● Green</p>

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	Deputy Chief Executive and Strategic Director of Corporate Services, s151 officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	<p>We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.</p> <p>We have recommended that the Council document this policy as part of the financial statements.</p>	<p>● Green</p>
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	Our review of other accounting policies has not highlighted any issues which we wish to bring to your attention.	<p>● Green</p>

Assessment

● Marginal accounting policy which could potentially attract attention from regulators
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● 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, 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 the Audit 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.
2.	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 adequately disclosed.
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 standard letter of representation has been requested from the Council. No specific representations have been requested.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from banks and long term debtors for confirmation of the year end balance. The requests were returned with positive confirmation.
6.	Disclosures	<ul style="list-style-type: none"> A number of disclosure amendments have been made to the financial statements arising from the audit and these are summarised on page 19.
7.	Matters on which we report by exception	<p>We have not identified any issues we would be required to report by exception in the following areas:</p> <ul style="list-style-type: none"> The Annual Governance Statement meets the disclosure requirements set out in the CIPFA/SOLACE guidance and is consistent with the information of which we are aware from our audit. The information in the Narrative Report is materially consistent with the information in the audited financial statements and our knowledge of the Council.
8.	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 £350m we are required to examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. However, this work has not started because the NAO has delayed issuing the consolidation pack for Local Government bodies to complete. The Completion deadline for the WGA pack has been changed to 12 August, 2016. We will carry out our review of the NAO consolidation once the information becomes available.</p> <p>This will not delay our opinion on the accounts but we will not be able to certify completion of the audit until the WGA audit is completed.</p>

Internal controls

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

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 12.

The matters that we identified during the course of our audit are set out in the table below.

	Assessment	Issue and risk	Recommendations
1.	●	<ul style="list-style-type: none"> We identified that the controls over cut off for accounting for a small proportion of cash in transit was not in place and the monies received (£11k) were accounted for as part of 16/17. 	<ul style="list-style-type: none"> The Council ensures all cash received in year is accounted for in the correct year
2.	●	<ul style="list-style-type: none"> Our specialist work reviewing IT security controls identified a number of areas for potential improvements (no significant risk). 	<ul style="list-style-type: none"> Management should review the IT audit findings report and respond to the findings

Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

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

Adjusted misstatements

Only one amendment has been made to the draft accounts which was identified during the audit process. We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed 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.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £000
1 Contained within the cash figure is £2.9m of clients monies which is also included in creditors. The accounting treatment is improving the liquidity of the Council and overstating the creditors. Consideration should be given to the removal of the amount from the cash and creditors balances.		(£2,936) cash £2,936 current liabilities	
Overall impact	£0	£0	£0

Misclassifications and disclosure changes

The table below provides details of the one significant disclosure change identified during the audit which has now been amended in the final set of financial statements. The various minor changes have also been made and a full listing of all changes can be obtained from the officers

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	N/A	Exit packages	Management have agreed to make amendments to the disclosures relating to exit packages Note 20 and 24.
2 Disclosures	Various	Various	During the course of the audit officers have agreed to make a small number of changes to disclosure notes for example, explanatory foreword, officer's remuneration and investment property movement in year.

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

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place 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. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

In our Audit Plan dated March 2016 we reported that the results of our VfM audit work would be reported here in our Audit Findings Report and again in our Annual Audit Letter.

In our initial risk assessment, we considered :

- Our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- The findings of other inspectorates and review agencies, including OFSTED and CQC.
- Any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- Any other evidence which we consider necessary to conclude on your arrangements.

As our work is dynamic we have continued our review of relevant documents and discussions with key officers up to the date of giving our report, and we have not identified any significant risks where we need to perform further work.

Overall conclusion

Based on the work we performed to address the potentially significant risks , we concluded that the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

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

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Key findings

As part of our continuous planning and on-going risk assessment we have not identified any significant VFM risks. We have documented below some of the key factors we took into account in reaching our conclusion.

Criterion –potential risk	Work to address	Findings and conclusions
Informed decision making	<p>We have reviewed the Council's minutes and attended Audit and Governance Committee</p> <p>We have reviewed key financial performance documentation including budget, outturn and MTFP</p> <p>We have reviewed relevant external documents such as OFSTED reports, CQC reports</p> <p>We have reviewed the AGS and supporting evidence</p> <p>We have reviewed the system of internal control including the risk registers</p>	<p>The Council continues to be well managed. It has clear and transparent reporting and demonstrates the principles and values of good governance.</p> <p>Risks are managed and mitigated where it is possible to do so to a reasonable level.</p> <p>On this basis we concluded that the potential VFM risk was sufficiently mitigated and the Council has proper arrangements in place.</p>
Financial Health-sustainable resource deployment	<p>We reviewed the financial and project management arrangements in place</p> <p>We reviewed the Council's response to significant financial pressures such as the ability to manage Adult Social Care Demands</p> <p>We reviewed the robustness and reasonableness of the Councils saving proposals and financial assumptions including going concern assumption</p> <p>We reviewed the Councils reserves and balances as a proportion of expenditure</p>	<p>Overall financial health, whilst challenging financial health remains strong overall. The Council has adequate usable reserves of £113m and met its savings target of £13.5m in 15/16.</p> <p>We reviewed a sample of initiatives as per the MTFP including</p> <ul style="list-style-type: none"> - Restructuring – structural review and the transformation team - Changes to MRP calculation - Adequacy of Equal Pay provision <p>On that basis we concluded that the potential VFM risk was sufficiently mitigated and the Council has proper arrangements in place.</p>
Working with partners and other 3rd parties	<p>We reviewed the project management and risk assurance frameworks established by the Council to establish how it was identifying, managing and monitoring these risks</p> <p>We have reviewed how well the Council works with the CCG to achieve its aims and objectives, we have reviewed the Council's joint working with Merseyside neighbourhood authorities as part of the devolution agenda</p> <p>We have reviewed the Councils plans for the redevelopment of the area</p>	<p>The Council are supporting the CCG to deliver better health outcomes for the community.</p> <p>The Council are working with others as part of the Liverpool City Region agreement. They are working with others to support the redevelopment of the area including a Joint Venture for developing Parkside.</p> <p>On that basis we concluded that the potential risk was sufficiently mitigated and the Council has proper arrangements in place.</p>

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

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.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

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

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

Fees

	Proposed fee £	Final fee £
Council audit	105,107	105,107
Grant certification*	14,969	14,969
Total audit fees (excluding VAT)	120,076	120,076

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

*Our work on your housing benefit subsidy claim has yet to be concluded.

Fees for other services

Service	Fees £
Audit related services:	
Certification of teachers pension	3,000
Total	3,000

We have undertaken the following non-audit services for St Helens Council for 15/16

Fees for other services

Service	Fees £
Non Audit related services	
Vision 20 20 workshop - members	4,768
Vision 20 20 workshop - officers	6,276
Total	11,044

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 Auditing Practices Board'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 to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other 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 Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

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 at the time of our appointment. 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 NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). 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.

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		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓
Significant 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: Audit opinion

We anticipate we will provide the Council with an unmodified audit report - this is an example for illustrative purposes

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

We have audited the financial statements of St Helens Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act 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 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 & Strategic Director of Corporate Services and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Deputy Chief Executive & Strategic Director of Corporate Services 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 2015/16, which 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 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 & Strategic Director of Corporate Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement 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: present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if: in our opinion the Annual Governance Statement does not comply with the guidance included in '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 24 of the Act; or we make a written recommendation to the Authority under section 24 of the Act; or we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and 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 20(1)(c) of the Act 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.

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether 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 these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects *the Authority* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code 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 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

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

Liver Buildings
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Liverpool 1

20 September 2016



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