

# The Annual Audit Letter for St Helens Metropolitan Borough Council

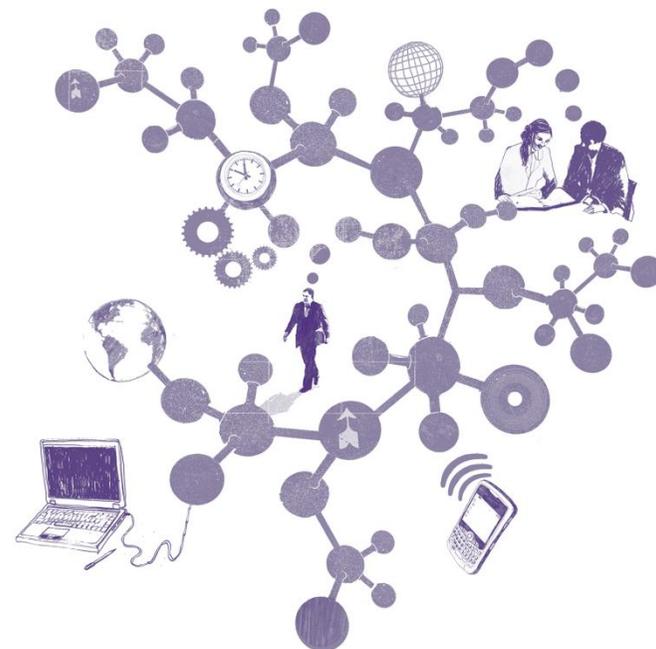
**Year ended 31 March 2017**

October 2017

**Robin Baker**  
Engagement Lead  
T 0161 214 6399  
E [robin.j.baker@uk.gt.com](mailto:robin.j.baker@uk.gt.com)

**Tommy Rooney**  
Manager  
T 0161 214 6359  
E [tommy.o.rooney@uk.gt.com](mailto:tommy.o.rooney@uk.gt.com)

**Dianne Webster**  
Audit Executive  
T 0161 234 6364  
E [dianne.m.webster@uk.gt.com](mailto:dianne.m.webster@uk.gt.com)



---

# Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	3
2. Audit of the accounts	5
3. Value for Money conclusion	9

**Appendices**

A Reports issued and fees

---

# Executive summary

## **Purpose of this letter**

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at St Helens Council (the Council) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Council and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit and Governance Committee (as those charged with governance) in our Audit Findings Report on 7 August 2017.

## **Our responsibilities**

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

## **Our work**

### **Financial statements opinion**

We gave an unqualified opinion on the Council's financial statements on 15 August 2017 which is more than a month earlier than last year.

### **Value for money conclusion**

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We reflected this in our audit report on 15 August 2017.

### **Whole of government accounts**

We completed work on the Council's consolidation return following guidance issued by the NAO and issued a clean report on 25 September 2017.

### **Certificate**

We certified that we had completed the audit of the accounts of St Helens Council in accordance with the requirements of the Code on 25 September 2017.

### **Certification of grants**

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2017. We will report the results of this work to the Audit and Governance Committee in our Annual Certification Letter.

---

## Looking ahead

St Helens continues to be a well-run Council, it has a well established approach to sound strategic management and robust financial planning. The Council is implementing a number of projects which work towards the realisation of its 2020 vision. This is clearly articulated in the 'Council Plan 2017-20'. A key project is the integration of health and social care as the Council have predicted a funding gap for this service of £101m by 2020. We will continue to engage and work with you to help support improvement.

This year we have:

- Delivered an efficient audit – working with you, delivering the final accounts audit over a month ahead of the national deadline, thus releasing your finance team for other work.
- Understood your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness.
- Shared our insight – we provided you with regular Audit and Governance Committee updates covering best practice. We also shared our thought leadership reports throughout the year.
- Provided training – your finance staff attended our final accounts closedown workshops where we provide your teams with training on current financial accounts.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff and members.

**Grant Thornton UK LLP**  
**October 2017**

---

# Audit of the accounts

## **Our audit approach**

### **Materiality**

In our audit of the Council's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £9,068k, which is 2% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for senior officer remuneration and related party transactions.

We set a lower threshold of £450k, above which we reported errors to the Audit and Governance Committee in our Audit Findings Report.

### **The scope of our audit**

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by the Deputy Chief Executive & Strategic Director of Corporate Services are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based. We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

# Audit of the accounts - Council

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>As part of our audit work we::</p> <ul style="list-style-type: none"> <li>• Reviewed and tested journal entries</li> <li>• Reviewed accounting estimates, judgements and decisions made by management</li> <li>• Reviewed unusual significant transactions</li> </ul>	<p>Our audit work did not identify any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries did not identify any significant issues.</p>
<p><b>Valuation of property, plant and equipment</b></p> <p>The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> <li>• Reviewed the competence, expertise and objectivity of management experts used.</li> <li>• Reviewed the instructions issued to valuation experts and the scope of their work</li> <li>• Reviewed management's processes and assumptions for the calculation of the estimate.</li> <li>• Questioned the valuer about the basis on which the valuations are carried out and challenge of the key assumptions.</li> <li>• Reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding.</li> <li>• Tested additions and revaluations made during the year to ensure they are input correctly into the Council's asset register</li> <li>• Evaluated the assumptions made by management for those assets not revalued during the year and how management had satisfied themselves that these are not materially different to current value.</li> </ul>	<p>Assets valued at £125m were subject to revaluation this year and we tested ten of these with a value of £84m. A review of the revaluation process identified two assets where the valuations could be overstated. This was due to one asset having potentially been sold (NBV of £60k) and the possible double counting of a swimming pool car park that could have been valued as part of the general swimming pool valuation (NBV £90k). The Council has stated that these will be investigated and the asset register amended if appropriate for 2017/18. Given that the total of these valuations are only £150k, the total assets valuation is considered to be fairly stated based on the results of the testing undertaken.</p>

# Audit of the accounts – Council

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>The expenditure cycle includes fraudulent transactions</b> Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> <li>Documented our understanding of management's process and controls over expenditure recognition through accruals and estimates.</li> <li>Reviewed estimates made as at 31 March 2016 against relevant actuals in 2016/17.</li> <li>Tested a sample of operating expenses transactions back to supporting documentation for the period from month 1 to 12.</li> <li>Sample tested creditor balances as at 31 March 2017 to obtain assurance that expenditure has been recognised on an appropriate basis.</li> </ul>	<p>Our audit work did not identify any issues in respect of fraudulent transactions within the expenditure cycle.</p>
<p><b>Valuation of pension fund net liability</b> The Council's pension fund net liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> <li>Identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement.</li> <li>Reviewed the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation.</li> <li>Gained 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.</li> <li>Reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from the Council's actuary.</li> </ul>	<p>The Council's share of pension fund assets is rolled forward, by the actuary, from the latest formal valuation date. The roll forward amount is then adjusted for investment returns, the effective contributions paid into and estimated benefits paid from the fund by the Council and its employees. Our audit did not identify any issues in respect of this significant estimate.</p>

---

# Audit of the accounts

## **Audit opinion**

We gave an unqualified opinion on the Council's accounts on 15 August 2017, in advance of the 30 September 2017 national deadline.

The Council made the accounts available for audit on 1 June 2017, one month ahead of the statutory deadline, meeting the new timescales for accounts preparation which come into effect in 2018. The Council also provided clear and comprehensive supporting working papers at the start of our audit. The finance team responded promptly and efficiently to our queries during the audit.

## **Issues arising from the audit of the accounts**

We reported the key issues from our audit of the accounts of the Council to the Council's Audit and Governance Committee on 7 August 2017. We identified no significant adjustments to the draft statements. We identified two minor adjustments which the Council chose to amend, none of which affected the Council's reported financial position. The financial statements for the year ended 31 March 2017 recorded net Cost of General Fund Services expenditure of £134,192k.

We also agreed a small number of adjustments in order to improve the presentation of the financial statements.

## **Annual Governance Statement and Narrative Report**

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines. Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council.

## **Whole of Government Accounts (WGA)**

We carried out work on the Council's consolidation schedule in line with instructions provided by the NAO. We issued a group assurance certificate which did not identify any issues for the group auditor to consider on 25 September 2017.

## **Other statutory duties**

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We did not identify any issues that required us to apply our statutory powers and duties under the Act. We did not receive any objections from electors to the 2016/17 accounts. There were no circumstances that required us to issue a public interest report in respect of our 2016/17 audit.

---

# Value for Money conclusion

## **Background**

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

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

## **Key findings**

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work. The key risks we identified and the work we performed are set out in table 2 overleaf.

## **Overall VfM conclusion**

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

# Value for Money

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p><b>Longer-term financial sustainability - Significant capital projects and service transformation projects</b></p> <p>The Council's MTFP is predicated on the investment programme delivering radical changes to the way in which services are delivered. The programme includes a number of key projects and investments, which are significant both in scale and financial terms..</p>	<p>Review of management arrangements in place to deliver Councils strategic priorities and manage risks as part of delivering key projects and outcomes.</p> <p>Consideration of how the Council is working with partners to develop the St Helens Together work-streams, including project management and risk assurance frameworks, paying particular attention to the key issue of integrated health and social care.</p> <p>Review of management arrangements to ensure strategic plans are costed and progress / outcomes are monitored.</p>	<p>St Helens continues to respond to increased demands for quality public services whilst facing unprecedented budget reductions ( £74m since 2010). The Council's three year budget strategy sees a further £16m funding reduction by 2020 which requires a further saving of £20.6m for that same period. The Council continues to undertake detailed reviews to find savings and efficiencies.</p> <p>In order to address the challenge the Council has developed its 2020 Vision centred upon three programmes of work;</p> <ul style="list-style-type: none"> <li>- Delivering a balanced budget</li> <li>- Growing the economy and</li> <li>- Developing sustainable health and social care</li> </ul> <p>This programme of change is reflected in the Council's Plan 2017-20. The plan is costed and was approved as part of the budget strategy.</p> <p>The Economy Board has been established to drive forward economic growth in the area. The Council is using its transformational reserves to invest in schemes for growth and ultimately generate revenue to become self sufficient. Project plans include attracting new business and the reinvigoration of the Town Centre.</p> <p>At a regional level the Council intends to capitalise on the opportunities for greater integration and partnering arrangements working with others including the Liverpool City Region.</p> <p>A significant challenge for the Council is the transformation required in the integration of health and social care, 'St Helens Cares'. The Council predicted a gap in this area of £101m by 2020. The Council reviewed its existing partnering arrangements and established a new framework for collaboration. The Council has revised its structure to include support from its People's Board which is responsible for Health, Wellbeing and Community Safety. The Council is working as part of a multi-agency partnership to drive through necessary changes and efficiencies in the system, this includes working with a variety of partners including Health, Home Office and Housing</p> <p>The scale and complexity of the task means that 'St Helens Cares' is not without risk. However, the Council is leading the project and the risk is being managed appropriately in order to deliver a sustainable service for the people of St Helens.</p> <p><i>We were satisfied, on the basis of the areas reviewed, that the Council's arrangements for working with third parties, managing risks and maintaining a sound system of internal control are adequate.</i></p>

# Appendix A: Reports issued and fees

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

## Fees

	Proposed fee £	Actual fees £	2015/16 fees £
Statutory audit of Council	105,107	105,107	105,107
Housing Benefit Grant Certification	10,140	10,140	14,969
<b>Total fees (excluding VAT)</b>	<b>115,247</b>	<b>115,247</b>	<b>120,076</b>

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 PSAA.

Our grant certification fee is still an estimate, as our work on the Council's housing subsidy claim is on-going and will not be finalised until the November 2017 deadline.

## Reports issued

Report	Date issued
Audit Plan	March 2017
Audit Findings Report	July 2017
Annual Audit Letter	October 2017

## Fees for other services

Service	Fees £
<b>Audit related services:</b>	
• Certification of Teachers Pension Return	<b>3,200</b>

## Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all other services which were identified.
- We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place, as set in the table below.

# Reports issued and fees continued

We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards have been applied to mitigate these risks.

	Service provided to	Fees	Threat identified	Safeguards
<b>Audit related services</b>				
Teachers' Pensions Return 2015/16	St Helens Council	£3,200	Self Interest	This is a recurring fee and therefore high self-interest threat. However, the level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work of £3,200 in comparison to the total fee for the audit of £105,107, and in particular to GTUK's turnover overall. Further, the work is on audit related services. It is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
<b>Non-audit services</b>				
None				
	<b>TOTAL</b>	£3,200		



© 2017 Grant Thornton UK LLP. All rights served.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International LTD (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL, and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

**[grant-thornton.co.uk](http://grant-thornton.co.uk)**