



# The Annual Audit Letter for St Helens Metropolitan Borough Council

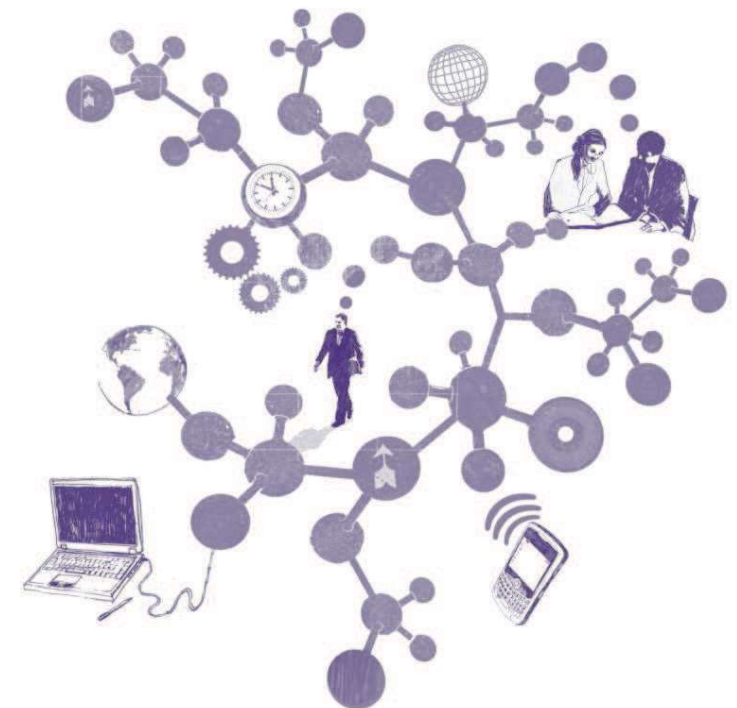
**Year ended 31 March 2015**

21 October 2015

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# Key messages

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

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in April 2015 (presented to the Audit & Governance Committee on 22<sup>nd</sup> June 2015) and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

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

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 21<sup>st</sup> September 2015 to the Audit & Governance Committee. The key messages reported were:

- The draft accounts were prepared to a good standard and were supported by comprehensive working papers
- The Council responded appropriately to the updated guidance on accounting for schools and properly justified its accounting treatment, resulting in the de-recognition of five voluntary controlled schools from the balance sheet
- There were no significant amendments to the accounts as a result of the audit. The amendments that were required were all of a disclosure/ presentational nature.

We issued an unqualified opinion on the Council's 2014/15 financial statements on 22<sup>nd</sup> September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

The Council will continue to face challenges over the coming years. These will include:

- A significant change is planned in the way councils account for highways network assets. It is expected that with effect from 2015/16, highways assets will be valued using depreciated replacement cost rather than depreciated historic cost. The change will require re-statement of balances as at April 2015, and will result in a material increase in the value of assets recorded in accounts. CIPFA have expressed concerns around the readiness of councils and are assessing the state of preparedness. We will work closely with you to help assess and support the Council to ensure you meet the implementation date.

## Key messages continued

<p><b>Financial statements audit (including audit opinion) (Continued)</b></p>	<ul style="list-style-type: none"> <li>The deadline for councils to publish their statement of audited accounts is being brought forward from 30 September to 31 July, with effect from the 2017/18. We will work closely with you to help ensure this significant change is properly managed. We are in the process of arranging Chief Accountant workshops to begin this process.</li> </ul>
<p>Value for Money (VfM) conclusion</p>	<p>We issued an unqualified VfM conclusion for 2014/15 on 22<sup>nd</sup> September 2015.</p> <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015. The Council continues to demonstrate good financial performance, despite the financial and demographic pressures facing local authorities. 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.</p> <p>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. At the same time demand for services is increasing, particularly in the areas of adults and children’s social care. We have supported the Council with a series of 2020 Vision workshops during 2015 to help define the strategy in the medium term given the challenges ahead.</p> <p>The Council's plans are challenging and are being developed alongside plans for greater devolution for the City Region, which will lead the way for new ways of working and further integration of services whilst having increased responsibility from central government. A Combined Authority submission met the 4 September deadline.</p> <p>An important factor in the future financial resilience for the Council is the outcome 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.</p>

## Key messages continued

<b>Value for Money (VfM) conclusion</b>	The NAO has recently consulted on the approach to be adopted for the value for money conclusion for the 2016/17 audit. The outcome of the consultation is yet to be published. The consultation documents put forward a changed definition for the 'proper arrangements' an authority should have in place to secure economy, efficiency and effectiveness in its use of resources. We will be working closely with officers to implement the changes and will summarise the changes in approach in our Audit Plan to be issued early in 2016.
<b>Whole of Government Accounts</b>	We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.
<b>Certification of housing benefit grant claim</b>	We are in the process of certifying the Council's 2014/15 housing benefit grant claim.
<b>Audit fee</b>	Our fees for 2014/15 (excluding VAT) were £140,142 for the Council's audit, £13,520 for housing Benefits certification and £2,000 for the Council's Teachers' Pensions Agency return, (for which the reasonable assurance report was provided 21 <sup>st</sup> September 2015). The fees were in line with our planned fee for the year. Further detail is included within Appendix A.

# Appendix A: Reports issued and fees

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

## Fees for audit services (excluding VAT)

	Per Audit plan £	Actual fees £
Council audit	140,142	140,142
Housing benefit grant certification fee	13,520	13,520*
<b>Total audit fees</b>	<b>153,662</b>	<b>153,662</b>

\* Estimate as work in progress

The Council received a rebate of £11,877 from the Audit Commission in respect of the 2013/14 audit in 2014/15

## Reports issued

Report	Date issued
Audit Plan	22/6/15
Audit Findings Report	21/9/15
Audit opinion & VFM conclusion	22/9/15
Teacher's Pension return- reasonable assurance report signed	21/9/15
Annual Audit Letter	21/11/15
Housing Benefit certification	By 30/11/15
Grant Certification Summary report	January 2016

## Fees for other services (excluding VAT)

Service	Fees £
Teachers' Pension return certification	2,000



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