

The Audit Findings for St Helens Metropolitan Borough Council

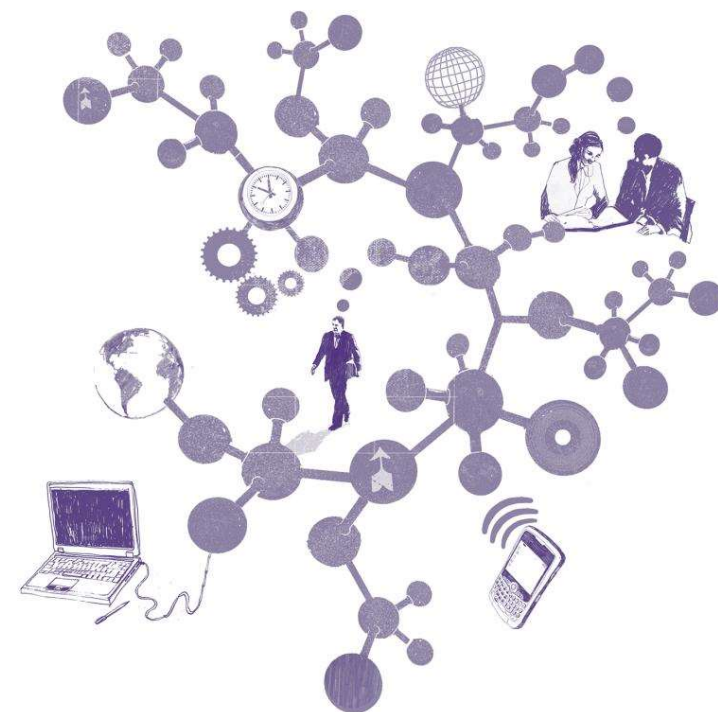
Year ended 31 March 2017

28 July 2017

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Appendices

A Audit opinion

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.

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 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 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 (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Council acquired in the course of performing our audit; or otherwise misleading.

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 year.

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

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 13 March 2017.

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

- review of the final version of the financial statements;
- review of the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion and
- audit of Whole of Government Accounts return.

Key audit and financial reporting issues

Financial statements opinion

We have not identified any significant adjustments to the draft statements. We identified two minor adjustments which the Council have chosen to amend, none of which affect the Council's reported financial position. The draft financial statements for the year ended 31 March 2017 recorded net Cost of General Fund Services expenditure of £134,192k.

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

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

- The draft financial statements were prepared and 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 draft financial statements were prepared to high standard. Our audit has not identified any significant errors or omissions in the financial statements;
- Officers provided clear and comprehensive supporting working papers at the start of our audit. Where additional working papers and information were requested during the course of the audit, Officers have worked hard to provide prompt responses wherever possible.

Further details are set out in section two of this report.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix A).

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 AGS and Narrative Report is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Council's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

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 control weaknesses, we report these to the Council.

Our work has not identified any control weaknesses which we wish to highlight for your attention.

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. 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.

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 (WGA)

The Council submitted its draft WGA after the authorised extended deadline of 21 July 2017, however the Council kept the appropriate authority informed throughout having experienced difficulty in transferring the data. The delayed submission does not impact on our audit timetable and we will liaise with officers to agree a timetable for the completion of our review before the deadline for audit submission in September 2017.

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 will be completed in advance of the deadline of 30 November 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
July 2017

Section 2: Audit findings

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Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 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 determined overall materiality to be £9,068k (being 2% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We 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 accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £450k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20,000
Disclosures of related party transactions	Due to public interest in these disclosures and the statutory requirement for them to be made. Individual misstatements will also be evaluated with reference to how material they are to the other party.	£20,000

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; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

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
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. This was our position as per the audit plan.</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 • The culture and ethical frameworks of local authorities, including St Helens Council, mean that all forms of fraud are seen as unacceptable <p>Therefore do not consider this to be a significant risk for St Helens Council.</p>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<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>Our procedures have included:</p> <ul style="list-style-type: none"> • review of entity controls • review and testing of journal entries • review of accounting estimates, judgements and decisions made by management • review of 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 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 judgements.</p>

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either 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 making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

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
<p>Valuation of property, plant and equipment</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>Our audit procedures have included:</p> <ul style="list-style-type: none"> • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work • Review of management's processes and assumptions for the calculation of the estimate. • Questions to the valuer about the basis on which the valuations are carried out and challenge of the key assumptions. • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. • Testing of additions and revaluations made during the year to ensure they are input correctly into the Council's asset register • Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. 	<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 is 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>
<p>The expenditure cycle includes fraudulent transactions</p> <p>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>Work completed to date:</p> <ul style="list-style-type: none"> • Documenting our understanding of management's process and controls over expenditure recognition through accruals and estimates. • Reviewing estimates made as at 31 March 2016 against relevant actuals in 2016/17. • Testing of a sample of operating expenses transactions back to supporting documentation for the period from month 1 to 12. • Sample testing of creditor balances as at 31 March 2017 to obtain assurance that expenditure has been recognised on an appropriate basis. 	<p>Our work has not identified any issues in respect of the fraudulent transactions within the expenditure cycle.</p>

Audit findings against significant risks continued

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund net liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p>	<ul style="list-style-type: none"> Identifying the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessing whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement. 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 net liability disclosures in notes to the financial statements with the actuarial report from your actuary. 	<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.</p> <p>Our audit has not identified any issues in respect of this significant estimate.</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	Work completed	Assurance gained & issues arising
Employee remuneration	<p>Payroll expenditure represents a significant percentage of the Council's gross expenditure.</p> <p>We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> Employee remuneration accruals understated (Remuneration expenses not correct) 	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding tested the year-end reconciliation of the payroll system to the general ledger completed a trend analysis on payroll costs to identify any unusual fluctuations 	<p>Our work has not identified any issues in respect of the completeness of payroll expenditure.</p>
Operating expenses	<p>Non-pay expenditure represents a significant percentage of the Council's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs.</p> <p>We identified the completeness of non-pay expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> Creditors understated or not recorded in the correct period (Operating expenses understated) 	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding Tested the year-end reconciliation of the accounts payable system to the general ledger Testing of a sample of operating expenses transactions back to supporting documentation for the period from month 1 to 12 Review and substantive testing of year end accruals and creditor balances in the year-end balance sheet to confirm these accurately reflect year-end liabilities. "Cut-off" testing to confirm that payments made in March 2017 and April 2017 have been accounted for in the correct financial year 	<p>Our work has not identified any issues in respect of the completeness of non-pay expenditure.</p>

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Changes to the presentation of local authority financial statements	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Council's internal reporting structure reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS) tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice. 	<p>We are satisfied that the Council has reclassified the Comprehensive Income and Expenditure Statement (CIES) comparatives in line with the internal reporting structure. However, the Expenditure and Funding Analysis (EFA) was not contained within the notes to the accounts in order to give it appropriate prominence as per the guidance. However, to ensure our audit opinion covers the analysis, it has been incorporated into the notes to the accounts. Minor rounding adjustments were made to the Note to the EFA for presentational purposes. No other issues were identified from this work.</p>



Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK&I) 570).

We reviewed the latest financial reports, where the Council consider the going concern assumption, and the disclosures in the financial statements and concluded that the going concern assumption is appropriate. We have discussed with the Council that to strengthen this process they review the going concern assumptions as part of the closedown of the financial statements. They will consider this as part of the preparation of future financial statements.

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
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 39 to the financial statements. 	 Green
Judgements and estimates	<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 of assets provisions and accruals equal pay provision 	<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). Critical judgements, estimation uncertainty and accounting policies are appropriately disclosed in notes 2 to 4 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. 	 Green



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

Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Deputy Chief Executive & Strategic Director of Corporate Services, s151 officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's latest financial position and we are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements. We have discussed with the Council that to strengthen this process they review the going concern assumptions as part of the closedown of the financial statements documenting key assumptions and rationale. They will consider this as part of the preparation of future 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
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● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Issues identified during the course of the audit

This section provides commentary on issues which were identified during the course of the audit

	Issue	Commentary
1.	Overpayment of housing benefit <ul style="list-style-type: none"> Based upon an extrapolation of the errors noted in our testing, the housing benefit subsidy claim could potentially be overstated by around £4m, which could be reclaimed by the DWP. 	<ul style="list-style-type: none"> Our testing of 8 housing benefit claims identified one case where working tax credit and carers premium had been incorrectly calculated resulting in an overpayment of £139.80. Given that the total amount tested was £2,322.12 and the housing subsidy claim for 16/17 is £67,219,319, the potential extrapolated error is calculated at around £4m. We consider that the controls within the housing benefits system are satisfactory and we have not experienced significant issues in the auditing of the housing subsidy claim in past years, which would suggest that this level of error is unlikely. <p>Management response</p> <ul style="list-style-type: none"> We consider the error to be an isolated example and if the population containing the error was narrowed down to claims with similar attributes, the extrapolated error would be significantly lower than £4m.
2.	IT visit <ul style="list-style-type: none"> We made a number of suggestions for the improvement of the IT environment. 	<ul style="list-style-type: none"> Our IT specialists performed a review of the IT controls at the Council and made a few suggestions for improvement. <p>Management response</p> <ul style="list-style-type: none"> We will consider the implementation of a number of the suggestions and have discussed these with the audit team.
3.	Rights and obligations of PPE assets <ul style="list-style-type: none"> There is some uncertainty around the Council's rights and obligations for one of the assets included in the asset register. 	<ul style="list-style-type: none"> During our substantive testing of PPE, we did identify one asset, Sutton Children's Centre whereby the Council's rights and obligations required further consideration. It is a complex arrangement and the ownership of the property is uncertain. The net book value of the asset at 31/3/17 is £798k. The Council are satisfied that this is the only asset for which the rights and obligations are uncertain. <p>Management response</p> <ul style="list-style-type: none"> The Council has taken action to resolve the issue for 2017/18.

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 management, Internal Audit and the Audit & Governance Committee. We have not been made aware of any significant issues in the period and no issues have been identified during the course of our audit procedures.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been 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 which is included in the Audit and Governance Committee papers.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to a number of organisations with loan or investment balances at 31 March 2017. This permission was granted and the requests were sent. All the requests were returned with positive confirmations.
6.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
7.	Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> 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 The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading. <p>We have not identified any issues we would be required to report by exception in the following area.</p>
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. The Council is currently preparing its draft WGA submission. We will liaise with officers to agree a timetable for completion of our review in advance of the deadline for audit submission in September 2017.</p>

Misclassifications and 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.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	32,425	Other Comprehensive Income and Expenditure	The figure recorded in the draft accounts was £34,425k, when the accurate figure should have been £32,425k
2 Disclosure	n/a	Various notes/disclosures	We have agreed a small number of minor amendments to the disclosures to improve the overall presentation of the financial statements.

Section 3: Value for Money

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We expect to issue an unqualified Value for Money Conclusion

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 2016. AGN 03 identifies one single 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.

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

We carried out an initial risk assessment in January 2017 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risk to you in our Audit Plan dated 13 March 2017.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the one significant risk that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- Consideration of the progress the Council is making with its significant capital projects and service transformation; and
- Progress of the health and social care integration agenda to support the financial sustainability of health and social care services.

We have set out more detail on the risk we identified, the results of the work we performed and the conclusions we drew from this work on page 21.

Overall conclusion

Based on the work we performed to address the significant risk, 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

Key findings

We set out below our key findings against the potential risks we identified through our initial risk assessment.

Potentially significant risk	Work to address	Findings and conclusions
<p>Longer-term financial sustainability - Significant capital projects and service transformation projects</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 Council's 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 its joint 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"> - Delivering a balanced budget - Growing the economy and - Developing sustainable health and social care <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 are 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. An unqualified VFM conclusion is proposed.</i></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: Other statutory powers and duties

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non-audit services and independence

06. Communication of audit matters

Other Statutory Powers and Duties

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	Public interest report	<ul style="list-style-type: none">• We have not identified any matters that would require a public interest report to be issued
2.	Written recommendations	<ul style="list-style-type: none">• We have not made any written recommendations that the Authority is required to respond to publicly
3.	Application to the court for a declaration that an item of account is contrary to law	<ul style="list-style-type: none">• We have not identified any issues where we were required to use this duty
4.	Issue of an advisory notice	<ul style="list-style-type: none">• We have not identified any issues which would require us to issue an advisory notice
5.	Application for judicial review	<ul style="list-style-type: none">• We have not identified any issues which would require an application for judicial review

Section 5: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

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

Audit Fees

	Proposed fee £	Final fee £
Council audit	105,107	105,107
Grant certification	10,140	10,140
Total audit fees (excluding VAT)	115,247	115,247

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

Grant certification

The Grant Certification fee is indicative and will be confirmed by PSAA. 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'.

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 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.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The table below summarises all audit related services which were identified.

Fees for other services

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

Independence and non-audit services

There are no independence issues with regards to other work undertaken, as there were no non-audit services for the Council for 2016/17.

Section 6: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Communication to those charged with governance

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.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, 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, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
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

A. Audit Opinion

A: Audit opinion

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

We have audited the financial statements of St Helens Council (the "Authority") for the year ended 31 March 2017 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 2016/17.

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 Authority's 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, 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 2016/17, 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, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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 for the financial year for which the financial statements are prepared are 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 Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

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

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements for securing 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 for securing economy, efficiency and effectiveness in its 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 issued by the Comptroller and Auditor General in November 2016, 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 this criteria as that 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 2017.

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 has put in place proper arrangements for securing 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 issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code of Audit Practice 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 2017. 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 economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Robin Baker

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

Royal Liver Building
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XX AUGUST 2017 (TO BE COMPLETED POST FINALISATION OF AUDIT)



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