

# Annual Audit Letter

St Helens Metropolitan Borough Council

Audit 2008/09

December 2009



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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Key messages

**This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.**

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## Audit opinion

- 1 I gave an unqualified audit on your financial statements on 24 September 2009. My draft audit report was included as Appendix 2 of my Annual Governance report, as reported to the Audit and Governance Committee on 21 September 2009.
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## Financial statements

- 2 The financial statements were submitted for audit on time and were supported by clear working papers prepared by finance staff. The Assistant Chief Executive (Finance) adjusted the financial statements for minor presentational errors identified during the audit.
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## Value for money

- 3 I have completed my work on the Use of Resources assessment for 2008/09. Use of Resources is a scored judgement which determines how well local authorities manage and use their financial resources. I concluded that the Council was performing well - consistently above the minimum standards specified by the Audit Commission.
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## Comprehensive Area Assessment and Organisational Assessment

- 4 The Audit Commission introduced a new assessment regime during 2009, Comprehensive Area Assessment. This aims to review the performance of local partners in delivering better outcomes for local people. The assessment is designed to focus attention on areas that need attention in order to deliver additional and sustained improvement. Our work in this area is being led by the local Comprehensive Area Assessment Lead (CAAL). The CAAL has shared draft findings with officers and he is due to formally report on 9th December 2009. Alongside the CAA report we will issue our organisational assessment which combines our judgements on your use of resources and managing performance. Any issues arising will be discussed with you and planned into future years audit and assessment activity.
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## Audit fees

- 5 My fee proposals were communicated to the Audit and Governance Committee in my Audit Plan for 2008/09. I am satisfied that the agreed audit fee of £232,116 was appropriate and no adjustment is required.
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### Actions

- 6 Recommendations are shown within the body of this report and have been agreed with the Audit and Governance Committee.

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### Independence

- 7 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

# Financial statements and annual governance statement

The financial statements and annual governance statement are an important means by which the Council's accounts for its stewardship of public funds.

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## Significant issues arising from the audit

- 8 I did not identify any material errors in the financial statements. The Assistant Chief Executive (Finance) agreed to adjust the financial statements for minor presentation errors in the disclosure notes to the accounts. These did not impact on the income and expenditure account or the balance sheet.
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## Material weaknesses in internal control

- 9 I did not identify any significant weaknesses in your internal control arrangements.
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## Accounting Practice and financial reporting

- 10 I considered the qualitative aspects of your financial reporting. I did not identify any issues to be brought to the attention of members.
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## International Financial Reporting Standards (IFRS)

- 11 In March 2008 the Treasury announced that the annual financial statements of government departments and other public sector bodies would be prepared using International Financial Reporting Standards (IFRS) from 2009/10 onwards. For local government bodies the first full year of application is the 2010/11 financial statements but the starting period for this (the transition date) is 1 April 2009. Local government bodies will be required to produce their 2009/10 Whole of Government Accounts (WGA) return on an IFRS basis. The expected deadline for the WGA return is 1 October 2010.
- 12 As part of my 2008/09 audit I have completed an Audit Commission survey on the Council's progress in preparing for the implementation of the IFRS. The Council has made a good start in its preparations for IFRS. Officers have identified the key risk areas for St Helens, undertaken an initial analysis to assess the work required and are in the process of preparing detailed methodologies for the various work areas. However, officers recognise that in line with many councils, further work will be needed during 2009/10 to meet new IFRS information requirements within required timeframes.
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**Recommendation**

**R1** Monitor arrangements in place for implementing IFRS to ensure appropriate processes, people and skills are in place to meet the new accounting requirements and the associated deadlines.

# Value for money and use of resources

I considered how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

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## Use of resources judgements

- 13** In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements.
- 14** I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work. The Council's use of resources theme scores are shown in Table 1 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised below.

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**Table 1** Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	3
Managing resources	2

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- 15** Overall the Council has performed well and has scored an overall level 3 (exceeds minimum requirements - performs well).

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## Managing finances

- 16** The Council has a good track record of spending within budget whilst maintaining good service performance. This is underpinned by robust budget setting and financial reporting. Councillors and officers have a good understanding of costs and drivers and comparison with others, and routinely use information to challenge value for money.

- 17** Generally costs for key services compare well with others and have reduced over time. Services perform well and satisfaction is high. In areas where costs remain relatively high, the reasons are understood.
- 18** The Council has used cost information to identify areas for VFM reviews which have led to efficiency improvements and reduced costs while delivering high quality services overall. Costs of services for older people have fallen from top quartile to average over the past three years as a direct consequence of a shift in policy and moving from residential care provision to supported accommodation and extra care housing.
- 19** The Audit Commission have recognised the Council's arrangements for the area based grant (ABG) as innovative. The Council and LSP partners allocate ABG in an objective and transparent way. Funding agreements include measurable outcomes against which partners can monitor use of the grant linked explicitly to the strategic objectives of the Local Strategic Partnership.
- 20** Financial reports are clear and proportionate to support strategic decision-making. The Council has a good record of producing quality accounts which are free from error and adhering to a robust internal closedown plan to meet the statutory timetable. External reporting is accessible and responds to the needs of members and officers, external stakeholders and local people.
- 21** The Council had no investments with Icelandic banks in 2008/09. The Council strengthened Treasury Management arrangements during 2009 in line with CIPFA and Audit Commission guidance on best practice. Changes have included steps to reduce investment risk and increased reporting to members. I understand there are plans in place to deliver training to members on the new arrangements.

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### Governing the business

- 22** The Council has identified its key priorities of health, worklessness and liveability based on a good understanding of local needs and uses shared needs assessments to inform commissioning and service development. Local people are involved in determining the Council's priorities. The council is implementing new ways to deliver services, including a single corporate contact centre. The Council has taken account of local capacity to deliver goods and services in its approach to procurement.
- 23** The Council demonstrates the principles of good governance and ensures officers and members are equipped to carry out their roles and understand their responsibilities. Arrangements include
  - a mature risk culture when working with partners on complex projects;
  - strong counter fraud arrangements; and
  - a sound system of internal control at member level supported by assurance via a group of senior officers and an effective Internal Audit function.

## Value for money and use of resources

**24** The Council reviews performance information requirements in response to feedback and to meet changing demands. Performance is monitored against the Council's key priorities and targets and resources are directed to areas of under performance. The Policy Unit has recently undertaken a review of the integrity of performance information, which has identified the need for improved processes in some service areas.

### Recommendation

**R2** Review improvements being made to ensure the reliability of performance information.

## Managing resources

**25** The Council has a clear asset management plan, which links with strategic corporate policies and service planning, and asset management has a high profile in the Council.

**26** Success is measured by performance against relevant national indicators, local indicators and delivery of priorities in service plans. The Council benchmarks its performance against other authorities. The condition of the council's assets has improved and compares well with other authorities.

**27** Effective asset management has improved access to services and mitigated environmental impacts from using assets.

**28** The Council has worked with partners and the community to identify innovative ways to use land and property assets to benefit the community; including:

- extra care housing for older people;
- transferring three community centres to the voluntary sector - including one cited as best practice in the Quirk Review; and
- innovative funding arrangements to improve a leisure centre.

**29** The Council demonstrates an understanding of main areas of natural resource use and is raising awareness of the need for improved environmental management within the Council. It's strategy and detailed plans for managing natural resources is developing but there are areas of good practice, particularly in sustainable procurement with contract specifications including high environmental standards, including:

- Blackbrook Bypass project employed a range of innovate and best practice in dealing with recycling, waste and landscaping; and
- phase one of the Cowley Language College is on course to achieve an 'excellent' BREEAM rating. Benefits include energy efficient designs, specifications and controls and reduced water consumption from grey-water recycling.

**30** The Council is the lead planning authority for a sub regional study to identify key renewable energy sources. The Council co-ordinates a partnership with the Mersey Forest and Natural England, developing the economic, social and natural assets of green infrastructure.

### VFM conclusion

- 31** I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body.
- 32** I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

# Closing remarks

- 33** The economic downturn, public sector funding and the banking crisis is having a very significant impact on public finances and the bodies that manage them. It is envisaged that there will be wide ranging and more fundamental impacts on the ability of public sector bodies to fund service delivery and capital programmes in the short to medium term, including pressures on income streams. There are further challenges for policy priorities where patterns of demand for services are also changing. In addition the Council continues to implement its own efficiency and improvement review programme. These changes and the Council's response will be a key focus of my attention for future audits.
- 34** I have discussed and agreed this letter with the Chief Executive and the Assistance Chief Executive (Finance). I will present this letter at the Audit and Governance Committee on 6 January 2010 and will provide copies to all members.
- 35** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

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**Table 2**

Report	Date issued
Audit and Inspection Plan	May 2009
Annual Governance Report	September 2009
Opinion on financial statements	September 2009
Value for money conclusion	September 2009
Annual Audit Letter	December 2009

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- 36** As in previous years the Council has taken a positive and constructive approach to our audit. I wish to thank the Council's staff for their support and co-operation during the audit.

Michael Thomas  
District Auditor  
December 2009

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

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