



St. Helens Council

TO: Audit and Governance Committee

Democratic Services

Town Hall
Victoria Square
St Helens
Merseyside
WA10 1HP

Contact: Joanne Griffiths MBE
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Our Ref: JG/
Your Ref:

13 March 2019

Dear Sir/Madam,

AUDIT AND GOVERNANCE COMMITTEE – 20 MARCH 2019

Please find attached the undermentioned item which was marked “To Follow” on the Agenda for the above meeting.

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Yours faithfully,

Joanne L Griffiths

Joanne Griffiths MBE
Democratic Services Manager

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St Helens Council

Audit 2018/19

Response from Audit and Governance Committee Chair

Area	Auditor Question	Response
Litigation & Claims	Are you aware of possible litigation and / or claims which may give rise to a risk of material misstatement?	I am aware of the current claim by NHS Foundation Trusts for mandatory charitable relief which, whilst not a direct claim against the Council, could lead to the Council granting backdated charitable relief. However, the value of the potential relief is below the determined materiality level within the Audit Plan.
Fraud	Do you have knowledge of any actual, suspected, or alleged fraud affecting St Helens Council?	No.

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St Helens Council

Audit 2018/19

Responses from Management: St Helens MBC

Area	Auditor question	Response
Fraud	Please provide your assessment of how your financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments	<p>Management are confident that the financial statements will be free from material misstatement due to fraud. Significant checks and controls exist within services and systems to minimise the risk of fraud.</p> <p>Management undertake a review of adherence to established controls and supervision. Internal Audit reviews provide assurance on the adequacy of the controls and the extent of compliance. Annual Audit Opinion identifies any significant control weaknesses. The Council's Annual Governance Statement details how the Council complies with the Code of Corporate Governance. The effectiveness of internal control is also reviewed; Internal Audit operates in accordance with CIPFA Code of Practice and has undertaken a self-assessment against the Public Sector Internal Audit Standards. A governance review is undertaken to support the Annual Governance Statement (AGS) in accordance with CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government 2016'.</p> <p>Any issues that are highlighted via these processes and reviews would be considered to ensure that there is no risk of material misstatement in the financial statements.</p>
	What are your processes for identifying and responding to the risks of fraud? Have you identified any specific risks of fraud and/ or areas where the risks of fraud likely to exist?	<p>The Council has an Anti-Fraud, Bribery and Corruption Policy; Anti-Fraud, Bribery and Corruption Strategy, Confidential Reporting Policy; Reporting Fraud Guidance; Code of Conduct, Financial and Contract Procedure Rules, Financial Instructions;</p> <p>Benefit Fraud Response Plan.</p> <p>Internal Audit have undertaken a Self Assessment against the CIPFA Code of Practice: Managing the Risk of Fraud & Corruption. An Action plan was produced and was approved by the Audit & Governance committee. Progress against the Action plan has been monitored, reported and fully implemented. Actions included the development</p>

		<p>of a Fraud Risk Assessment and Anti Fraud Plan which is reviewed on an annual basis.</p> <p>Management, staff, stakeholders and the public are aware of the expected response to suspected fraud. Internal Audit investigate and report on the outcome of investigations.</p> <p>In addition, a fraud training e-learning module is available. The Council participates in data matching initiatives and is also a member of the National Audit Fraud Network</p>
	How do you communicate with those charged with governance regarding your processes for identifying and responding to the risks of fraud?	<p>Within all reports to Members and all Delegated Executive Decisions, there are sections in which the risk associated with a decision or a proposed course of action is conveyed to Members. This is also addressed through the annual reporting process; Reporting on risks to Audit & Governance Committee; Audit and Financial Monitoring Overview and Scrutiny panel report to Audit & Governance committee; Open lines of communication to Audit & Governance committee members; Risk Register database which is available to all Members and periodically reported.</p>
	How do you communicate with your employees regarding business practices and ethical behaviour?	<ul style="list-style-type: none"> • Code of Conduct • Staff briefings and training. • Manager Networks • E-learning training provision • Staff instructions • Financial Regulations • All authority emails
	Do you have knowledge of any actual, suspected or alleged fraud affecting St Helens Council?	Not aware of any fraud, actual or otherwise, that would affect the financial statements.
Related Parties	Please list your related parties, highlighting any changes from the prior period	<p>Central Government Police and Crime Commissioner Merseyside Fire and Rescue Authority Merseyside Pension Fund Merseyside Recycling and Waste Authority Liverpool City Region Combined Authority Citizens Advice Bureau World of Glass Langtree Newton LLP St Helens Clinical Commissioning Group (new related party)</p>
	Please provide a summary of the nature of the relationships between St Helens Council and these related parties	<p>The relationship between the Council and Central Government, Police and Crime Commissioner, Merseyside Fire and Rescue Authority, Merseyside Pension Fund, Merseyside Recycling and Waste Authority and the Liverpool City Region Combined Authority are self-explanatory.</p>

		<p>Various Strategic Directors and Members serve as Council representatives on bodies that are in receipt of Council funding, such as Citizen’s Advice Bureau and the World of Glass.</p> <p>The Council has a Joint Venture with Langtree Property partners (Langtree Newton LLP) which was established to acquire and regenerate the former Parkside Colliery site. The Council holds 3 of the 6 positions on the Joint Venture Board.</p> <p>The Council is working towards closer integration with the St Helens Clinical Commissioning Group (CCG), including a revised Section 75 Agreement and new Integrated Commissioning Fund being established. As part of the this integration, the Strategic Director of People’s Services is also the Clinical Accountable Officer of the CCG.</p>
	<p>Has St Helens Council entered into any transactions with these related parties during the 2018/19 period, if so, what was the type and purpose of the transaction(s)?</p>	<p>Excluding the Government organisations who the Council has a relationship with, the transactions with the other related parties are summarised as follows:</p> <p>World of Glass – contributions toward the ongoing revenue costs of the World of Glass have been made during the year.</p> <p>Langtree Newton LLP – an interest-bearing loan has been made to the Joint Venture organisation to fund the preparation of phase 2 planning application.</p> <p>St Helens CCG – the Council and the CCG operate a pooled budget arrangement.</p>
Going Concern	<p>Is the going concern basis of accounting a fundamental principle in the preparation of your financial statements?</p>	Yes.
	<p>Has a preliminary assessment of the St Helens Council's ability to continue as a going concern been performed?</p>	Yes.
	<p>Have you identified events or conditions that, individually or collectively, may cast significant doubt on the St Helens Council’s ability to continue as a going concern? If so, what are you plans to address them?</p>	No.
	<p>What is your basis for the intended use of the going concern assumption? Do events or conditions exist that, individually or collectively, may cast significant doubt on the St</p>	<p>The underlying financial position of the Authority is one that shows a balance sheet position with positive net worth. The Budget Strategy Report identified and assessed those material risks that the Council faces and seeks to ensure that the Council maintains a balanced medium term</p>

	Helens Council's ability to continue as a going concern?	financial forecast. This includes setting a level of general reserves to meet identified potential risks, as part of a robust Budget Statement. The Strategic Director of Corporate Services is a representative on the Strategic Directors Group which allows for a constant awareness of key issues facing the authority which can be duly factored into the financial planning process as necessary. The Strategic Director business planning process also supplements this.
	If applicable, please document your basis for concluding that the going concern basis of accounting is not a fundamental principle in the preparation of the financial statements	N/A.
Litigation & Claims	Are you aware of possible litigation and/ or claims which may give rise to a risk of material misstatement?	In January 2016, the Council received requests for mandatory charitable relief from an agent acting on behalf of NHS Trusts. A law firm acting on behalf of 29 NHS Foundation Trusts has issued proceedings in the High Court against 49 billing authorities. If the claim is successful, this could require the Council to grant backdated charitable relief. This issue was reported in last year's financial statements as a Contingent Liability but the amount in question is not material based upon the determined materiality level within the Audit Plan.
Accounting estimates	How do you identify transactions, events, and conditions that may give rise to the need for accounting estimates to be recognised or disclosed in your financial statements?	The Strategic Director of Corporate Services is a representative on the Strategic Directors Group which allows for a constant awareness of key issues facing the authority which can be fully considered with regard to any impact on the financial statement. The Strategic Director of Corporate Services also meets on a monthly basis with the other Strategic Directors to consider all financial issues within each Department. A year end consultation exercise for the reporting of any transactions, events and conditions that may give rise to the need for accounting estimates between client departments, Finance and Senior Management exists.
	Are there any changes in circumstances that may give rise to new, or the need to revise existing, accounting estimates?	No. However, all accounting estimates will be reviewed as part of the final accounts process to ensure that the basis for calculating the estimate is fit for purpose.

Laws and regulations	Are you aware of any non-compliance with any laws and regulations?	No.
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