



Government and Public Sector

Sefton MBC

Annual Audit Letter

2010/11 Audit

November 2011



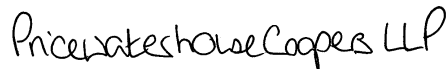
The Members
Sefton Metropolitan Borough Council
Town Hall
Lord Street
Southport
PR8 1DA

4 November 2011

Ladies and Gentleman

We are pleased to present our Annual Audit Letter summarising the results of our 2010/11 audit. We look forward to presenting it to Members on 14 December 2011.

Yours faithfully



PricewaterhouseCoopers LLP

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In March 2010 the Audit Commission issued a revised version of the 'Statement of Responsibilities of Auditors and of Audited Bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any member or officer in their individual capacity or to any third party.

*PricewaterhouseCoopers LLP, 101 Barbirolli Square, Lower Mosley Street, Manchester M2 3PW
T: +44 (0) 161 245 2000, F: +44 (0) 161 245 2910, www.pwc.co.uk*

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Services Authority for designated investment business.



Contents

<i>Introduction</i>	6
<i>Audit Findings</i>	7
<i>Summary of Recommendations</i>	<i>Error! Bookmark not defined.</i>

the 1990s, the number of people with a diagnosis of schizophrenia has increased in many countries, including the United Kingdom (Murray and Lewis 1998). The prevalence of schizophrenia is estimated to be 1% of the population (Murray and Lewis 1998).

There is a growing awareness of the need to improve the lives of people with schizophrenia. The World Health Organization (WHO) has developed a strategy for the care of people with schizophrenia, which emphasizes the need for a comprehensive approach to care, including social, psychological, and medical interventions (WHO 1993). The WHO strategy also emphasizes the need for a focus on the needs of the individual, rather than on the symptoms of the illness.

In the United Kingdom, the National Health Service (NHS) has developed a strategy for the care of people with schizophrenia, which is based on the WHO strategy (NHS 1998). The NHS strategy emphasizes the need for a comprehensive approach to care, including social, psychological, and medical interventions. The NHS strategy also emphasizes the need for a focus on the needs of the individual, rather than on the symptoms of the illness.

One of the key components of the NHS strategy is the need for a focus on the needs of the individual. This means that the care of people with schizophrenia should be tailored to the needs of the individual, rather than being based on a standard approach. This approach is known as 'person-centred care' and is based on the idea that the individual is the most important person in the care process.

Person-centred care is based on the idea that the individual is the most important person in the care process. This means that the care of people with schizophrenia should be tailored to the needs of the individual, rather than being based on a standard approach. This approach is known as 'person-centred care' and is based on the idea that the individual is the most important person in the care process.

Person-centred care is based on the idea that the individual is the most important person in the care process. This means that the care of people with schizophrenia should be tailored to the needs of the individual, rather than being based on a standard approach. This approach is known as 'person-centred care' and is based on the idea that the individual is the most important person in the care process.

Person-centred care is based on the idea that the individual is the most important person in the care process. This means that the care of people with schizophrenia should be tailored to the needs of the individual, rather than being based on a standard approach. This approach is known as 'person-centred care' and is based on the idea that the individual is the most important person in the care process.

Person-centred care is based on the idea that the individual is the most important person in the care process. This means that the care of people with schizophrenia should be tailored to the needs of the individual, rather than being based on a standard approach. This approach is known as 'person-centred care' and is based on the idea that the individual is the most important person in the care process.

Introduction

The purpose of this letter

The purpose of this letter is to provide a high level summary of the results of the 2010/11 audit work we have undertaken at Sefton Metropolitan Borough Council that is accessible for the Authority and other interested stakeholders.

We have already reported the detailed findings from our audit work to those charged with governance in the following reports:

- Audit Progress Report 2010/11 (March)
- Audit Progress Report 2010/11 (June)
- Audit report for the 2010/11 Statement of Accounts, incorporating the value for money conclusion
- Report to those charged with Governance (ISA (UK&I) 260)

The matters reported here are those that we consider are most significant for the Authority and a summary of the recommendations that we have made can be found in Appendix A.

Scope of work

Our audit work is 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.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements;
- reviewing the Annual Governance Statement;
- forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- undertaking any other work specified by the Audit Commission.

Our 2010/11 audit work has been undertaken in accordance with the Audit Plan that we issued on 14 December 2010.

Audit Findings

Accounts

We audited the Authority's Statement of Accounts in line with approved Auditing Standards and issued an unqualified audit report on 29 September 2011. The key matters considered as part of the audit are summarised below.

One Vision Housing accounts receivable balance

Upon the transfer of the Council's housing stock to One Vision Housing (OVH) a VAT shelter agreement was signed between the parties. The agreement entitles the Council to a share of the VAT reclaimed by OVH on housing capital expenditure post transfer. The amount due to the Council at the end of 2010/11 was £8.5m, and as part of our audit work we obtained evidence to satisfy ourselves that there was reasonable assurance that the amount will be received from OVH.

Due to the significance of the balance, and particularly because the matter is inevitably linked to the matter below, we also obtained confirmation from the Audit Committee that it was comfortable that the balance was fairly stated, and that no provision needed to be recognised against it at the end of 2010/11.

One Vision Housing legal claim

The Council will shortly go to mediation with OVH to resolve a dispute over a liability in relation to repair works for cladding to seven multi-storey tower blocks that were transferred to OVH upon the stock transfer. OVH claims that the Council (and its advisors) is liable for the £6m cost as the need to replace the cladding should have been identified at the point of the transfer. The Council maintains that it is not liable for the cost and as a result the matter is to be resolved by mediation on 22 November 2011.

As part of our audit we reviewed independent evidence to confirm that amount in dispute is £6m, and that there was sufficient evidence about the strength of the Council's case to demonstrate that no liability needed to be recognised in the financial statements. Again due to the significance of this matter we sought confirmation from the Audit Committee that it was comfortable with the treatment of this item in the financial statements.

Sefton New Directions

The Council has reduced the value of its contract with Sefton New Directions (SND) in 2011/12, from £12m to £9m. As a result of this the Council has been in discussions with SND regarding the ongoing viability of the company. As SND is a 100% owned subsidiary of the Council the ability of the company to continue as a going concern has an impact on the presentation of the Council's group accounts. We were informed by management that union agreement to changes to pay and conditions had resulted in the Board of SND being able to conclude that the entity is a going concern for the foreseeable future.

We reviewed the evidence to support the going concern assessment, and obtained confirmation from the Audit Committee that it was satisfied that officers had obtained sufficient assurance that it was reasonable to work on the basis that SND was a going concern when preparing the Council's group accounts. This matter should be kept under review in 2011/12.

Bad debt provision – Sundry accounts receivable and council tax

The Council had total sundry and council tax debtors of £25.8m at the end of 2010/11, and had provided for £3.2m of this balance. Officers had followed a logical approach to calculating the provision, but there was evidence that they could have been more prudent. Our own calculations indicated that the provision should be higher, and could have been significantly increased without being considered over cautious. As the amounts involved were not material to the financial statements, whilst we asked officers and the Audit Committee to consider increasing the provision, we did not take any further action when they concluded not to change it.

Notwithstanding the above, this is an area that we strongly recommend is given more detailed consideration at the end of 2011/12.

Economy, efficiency and effectiveness

Our Use of Resources Code responsibility required us to carry out sufficient and relevant work in order to conclude on whether you have put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

In accordance with guidance issued by the Audit Commission, in 2010/11 our conclusion was based on two criteria:

- The organisation has proper arrangements in place for securing financial resilience; and
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Unlike in previous years, we were not required to reach a scored judgment in relation to these criteria and the Audit Commission has not developed 'key lines of enquiry' for each criteria. Instead, we determined a local programme of work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

We issued an unqualified value for money conclusion.

Annual Governance Statement

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Summary of recommendations

We report recommendations to the Governance and Audit Committee and have reported these within our Audit Progress Report 2010/11 - June and within our Report to those charged with Governance. There were fourteen recommendations and we received an appropriate management response for each. We do not consider it necessary to include the full details of the recommendations here, but in summary the key recommendations raised were:

- Fixed Asset Register (FAR) – The Council’s FAR is currently maintained within a spreadsheet though we have recommended the implementation of a fixed asset module.
- Annually recurring journals – Our audit identified a journal that is processed year on year without challenge by management on the appropriateness of the journal. We have recommended that management review journals processed to ensure there is a clear rationale for the journal.
- Internal invoicing – The Council operates a policy of internally invoicing other departments for works performed internally. We have recommended that management review the procedures for internal re-charges.
- Bad debt provision – We challenged managements approach to the calculation of the bad debt provision. We have recommended that management review the basis for its bad debt provision.
- Open purchase order review – We identified that there is no review of open invoices performed by management. We have recommended that management review and clear open invoices on a timely basis.
- Manual journals processing – We identified from the audit that there is no systematic approach for the approval of journals. We have recommended that the Council reviews its procedures for journals and introduces a level of review for journals.

In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), you are required to disclose any information contained in this report, we ask that you notify us promptly and consult with us prior to disclosing such information. You agree to pay due regard to any representations which we may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such information. If, following consultation with us, you disclose any such information, please ensure that any disclaimer which we have included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

©2011 PricewaterhouseCoopers LLP. All rights reserved. 'PricewaterhouseCoopers' refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.