



Meeting: **AUDIT COMMITTEE**  
Date: **4 JANUARY 2012**  
Time: **5.00PM**  
Venue: **COMMITTEE ROOM**  
To: **Councillors Mrs E Casling (Chair), J Cattanach, J Crawford,  
M Dyson, Mrs C Mackman (Vice Chair), Mrs M McCartney,  
I Nutt, R Packham, I Reynolds**

## Agenda

**1. Apologies for absence**

**2. Disclosures of Interest**

Members of the Audit Committee should disclose personal or prejudicial interest(s) in any item on this agenda.

**3. Minutes**

To confirm as a correct record the minutes of the proceedings of the meeting of the Audit Committee held on 28 September 2011.  
Pages 4 to 8 attached.

**4. Chair's Address to the Audit Committee**

**5. A/11/12 – Internal Audit Quarter 2+ Report 2011/12**

To receive the report of Executive Director (S151). Pages 9 to 18 attached.

**6. A/11/13 – Audit Annual Letter**

To receive the Audit Commission letter. Pages 19 to 31 attached.

**7. Audit of Grant Claims and Returns 2011/12**

To receive the Audit Commission letter to the Executive Director (S151).  
Pages 32 to 33 attached.

## **8. Private Session**

**That in accordance with Section 100(A) (4) of the Local Government Act 1972, in view of the nature of the business to be transacted, the meeting be not open to the Press and public during discussion of the following item as there will be disclosure of exempt information as defined in Section 100(1) of the Act as described in paragraph 3 of Part 1 of Schedule 12(A) of the Act.**

## **9. A/11/14 – Review of Corporate Risk Register**

To receive the report of Executive Director (S151). Pages 35 to 59 attached and to receive feedback from Janette Barlow, Director of Business Services, on new risk 58.

## **10. A/11/15 – Review of Access Selby Risk Register**

To receive the report of Executive Director (S151). Pages 60 to 80 attached.

## **11. A/11/16 – Review of Community Selby Risk Register**

To receive the report of Executive Director (S151). Pages 81 to 90 attached.

## **12. Internal Audit Report Call-In**

To receive feedback from Officers on Internal Audit Reports

### **12.1 Recycling and Waste Management**

To receive feedback from Access Selby Business Manager on the attached report, pages 91 to 105.

### **12.2 Property Rentals**

To receive feedback from Access Selby Business Manager on the attached report, pages 106 to 115.

### **12.3 PSU Stores**

To receive feedback from Access Selby Business Manager on the attached report, pages 116 to 128.

**Martin Connor  
Chief Executive**

<b>Dates of next meetings</b>
18 April 2012

Enquiries relating to this agenda, please contact Richard Besley on:  
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## Minutes

### Audit Committee

- Venue: Committee Room
- Date: 28 September 2011
- Present: Councillor Mrs Casling (Chair), Councillor Crawford, Councillor Dyson, Councillor Mrs Mackman, Councillor Mrs McCartney, Councillor Packham and Councillor Reynolds
- Apologies for Absence: Councillor Cattnach and Councillor Nutt
- Officers Present: James Ingham, Head of North Yorkshire Audit Partnership, John Barnett, North Yorkshire Audit Partnership; Rob Chambers, Audit Manager, The Audit Commission; Karen Iveson, Executive Director; Nicola Chick, Lead Officer for Finance, Access Selby and Richard Besley, Democratic Services

#### **10. DECLARATIONS OF INTEREST**

There were no declarations of interest.

#### **11. MINUTES**

##### **RESOLVED:**

**To receive and approve the minutes of the Audit Committee held on 29 June 2011 and they are signed by the Chair.**

#### **12. CHAIR'S ADDRESS AND INTRODUCTION TO THE AUDIT COMMITTEE**

The Chair welcomed councillors and informed them that, on advice of the North Yorkshire Audit Partnership, the Committee would hear item 12 (Risk Management Strategy) before item 11 (Corporate Risk Register).

### **13. AUDIT COMMITTEE REPORT A/11/5 – STATEMENT OF ACCOUNTS 2010-11**

The Executive Director (S151), Karen Iveson introduced the report and explained the need for new arrangements to meet International Reporting Standards and revised Accounts and Audit regulations. The changes affected how the accounts were prepared and presented as well as the timetable for publication of the accounts.

The Executive Director (S151) introduced the Nicola Chick, Access Selby's Lead Officer for Finance, to the Committee. The lead Officer for Finance drew the Committee's attention to Appendix B – Explanatory Notes that highlighted the changes to the format and processes.

The new reporting method explained the large variances shown in Part 4 (Appendix B) Movement in Reserves Statements and she explained that the major change in deficit was due to the valuation of Council House stock.

The Committee questioned and approved the accounts by chapter.

In response to a question regarding Building Control income, the Lead Officer for Finance explained that all income raised was retained by the BC Partnership to cover operational costs.

The Lead Officer for Finance clarified that Collection Fund referred to that income generated by Council Tax and National Non Domestic Rates (NNDR), although NNDR was forwarded onto central government. Write offs on bad and doubtful debt were mostly due to non domestic rates.

Officers were asked to explain a "soft loan" and the Lead Officer for Finance defined it as loan which carried no interest or where interest was incurred it was lower than the current/normal rate.

The Chair asked for clarification on the balance on the Housing Revenue Account (HRA) and was informed that there was currently £1.6m in HRA balances.

With regard to Council investments, officers were asked why these were of short term nature, reducing the potential income from the investment. The Executive Director explained that such investment decisions were based on the current economic conditions. In the current volatile financial market it was prudent and current advice was to keep investment on short term basis.

#### **RESOLVED:**

**To receive and approve the Statement of Accounts 2010-11**

**14. AUDIT COMMITTEE REPORT A/11/6 – ANNUAL GOVERNANCE STATEMENT**

The report was presented by Karen Iveson, Executive Director (S151).

The Council's Governance Statement met a legal requirement to review the effectiveness of its system of internal control at least annually.

Given the changes to the Council's democratic arrangements and organisational restructure, the Statement set out the governance arrangements in place during 2010/11 and those in place currently.

The report included an Appendix setting out areas for improvement in the control framework and provided an update on issues highlighted in previous Statements.

Members requested that progress against the improvement areas be reported to the next meeting.

**RESOLVED:**

**To receive and approve the Annual Governance Statement 2010/11**

**15. AUDIT COMMITTEE REPORT A/11/7 – AUDIT COMMISSION'S ANNUAL GOVERNANCE REPORT AND OPINION ON THE FINANCIAL STATEMENTS**

The Annual Governance Report was presented by Robert Chambers, Audit Manager from the Audit Commission's regional office in Leeds.

He too confirmed the significant changes in requirements for financial statements as outlined by Lead Officer for Finance earlier in the meeting. He was pleased to report that they did not impact on the Audit opinion.

The Committee was informed that no significant issues were raised and the Audit Manager reported the Council had robust systems and processes in place.

In difficult times with regard to the economy, the Council was prioritising its resources within tighter budgets, by achieving cost reductions and improving efficiency.

**RESOLVED:**

**To receive and note the report.**

**16. AUDIT REPORT A/11/8 – COUNTER FRAUD ANNUAL REPORT**

The report was introduced by James Ingham the Head of the North Yorkshire Audit Partnership.

He informed the Committee that the Council has an approved Counter Fraud Strategy and Policy and highlighted the attached self assessment template. Mr Ingham felt that the results against the self assessment were satisfactory. The outcomes were attached as Appendix B and in response to questions he confirmed that sanctions reported were for the current year.

**RESOLVED:**

**To receive and note the report.**

**17. AUDIT COMMITTEE REPORT A/11/9 – INTERNAL AUDIT QUARTER 1 + REPORT 2011/12**

This report was also introduced by James Ingham for the Audit Partnership.

The report's appendix itemised the varied schedule for the remainder of the year and summarised the key issues from the Audit already completed on Homelessness Accommodation. Those Audits currently at Draft stage would be reported at the next meeting in January.

**RESOLVED:**

**To receive and note the report.**

**18. Private Session**

**Resolved:**

**In accordance with Section 100(A)(4) of the Local Government Act 1972 and in view of the nature of the business to be transacted, to exclude the press and public from the meeting during discussion of the following item as there is likely to be disclosure of exempt information.**

**19. AUDIT COMMITTEE REPORT A/11/11 – RISK MANAGEMENT STRATEGY**

The report was introduced by John Barnett for the North Yorkshire Audit Partnership and drew the Committee's attention to the appendices which provided details of the risks being managed by the Council.

In highlighting the prime objectives of the strategy he stressed the importance of active Risk Management, emphasised by the new scoring and traffic light system introduced.

He welcomed the recognition and recording of Partnership Risks and the importance of the Council's partners in identifying their risks.

**RESOLVED:**

**To receive and endorse the report.**

**20. AUDIT COMMITTEE REPORT A/11/10 – REVIEW OF CORPORATE RISK REGISTER**

This report was also introduced by John Barnett for the Audit Partnership, he drew the Committee's attention to the Register and Scoring System attached as appendices.

He informed the committee of the new risks that had been identified and that the report would be reviewed quarterly by Senior Officers of the Council.

The Committee asked that explanatory notes be introduced to the register to show mitigation or resolution on risk items. This was agreed.

**RESOLVED:**

**To receive and endorse the report.**

The meeting closed at 6:33 pm



**Report Reference Number: A/11/12**

**Agenda Item No: 5**

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**To: Audit Committee**  
**Date: 4 January 2012**  
**Author: James Ingham; Head of Partnership, NYAP**  
**Lead Officer: Karen Iveson – Executive Director (S151)**

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**Title: Internal Audit Q2+ Report 2011/12**

**Summary:**

The purpose of the report is to present the Internal Audit Q2+ Report for 2011/2012. That report is prepared by the North Yorkshire Audit Partnership and is attached as a supporting document.

**Recommendation:**

**It is recommended that the attached Internal Audit Q2+ Report 2011/12 be approved.**

**Reasons for recommendation**

The Audit Committee has responsibility for overseeing the work of internal audit, ensuring that the control framework is sound.

**1. Introduction and background**

- 1.1 The report highlights a clear statement of assurance by the North Yorkshire Audit Partnership regarding the adequacy and effectiveness of the internal control system.
- 1.2 It also presents a summary of the Partnership's service delivery performance during the year to date.

**2. The Report**

- 2.1 The Audit Partnership works to the CIPFA Code of Practice for Internal Audit in Local Government.
- 2.2 The Internal Audit Q2+ Report provides a statement of assurance, primarily to the Executive Director – S151 officer that ultimately will

support the Annual Governance Statement (AGS) that is included with the Council's Financial Statements. It also includes a summary of the audit opinions issued for the audits completed in the year to date, to support the overall opinion, and thence to the AGS.

- 2.3 The severe financial constraints, policy turmoil and major organisational change environment that the Council is working within means that now, more than ever, the need for sound internal control framework is crucial.
- 2.4 The Audit Committee now see all IA reports in full, and can, when considered appropriate, request line management to attend the Audit Committee to discuss their response to the audit reports. We are pleased to report that there are no areas that have been classified as 'unsound' or 'unsatisfactory' from the audits completed to date in 2011/2012.
- 2.5 The one area that generated concern in this period was that there was some evidence of poor contract documentation with the Recycling and Waste Management audit. Whilst in itself not something that will prevent day to day service delivery, as with any contract the time that the documentation is required is when something goes wrong. The Council must not put itself in such a position that it cannot access key contract documentation. This is why the audit opinion is split between "good" and "unsatisfactory" For the sake of clarity in the chart on the cover of the NYAP report (attached as an appendix), both opinions have been recorded]
- 2.6 It will also include an assessment of the application of risk management, and management of the identified risks, within its programme of audits.

### **3. Legal/Financial Controls and other Policy matters**

#### **3.1 Legal Issues**

- 3.1.1 There are no legal implications.

#### **3.2 Financial Issues**

- 3.2.1 There are no financial implications.

### **4. Conclusion**

- 4.1 The review provides an overall opinion and assurance that given all the circumstances pertaining with the Internal Control Environment in Selby DC during 2011/12 to date that it is considered as 'above standard'.

This is not a 'carte blanche' but a balanced judgement. As with any such review there will always be areas that could be improved and this is no different.

## **5. Background Documents**

North Yorkshire Audit Partnership report: - Internal Audit Q2+ Report 2011/12.

### ***Contact Officer:***

James Ingham  
Head of Partnership  
North Yorkshire Audit Partnership  
James.ingham@scarborough.gov.uk

### **Appendices:**

North Yorkshire Audit Partnership report: - Internal Audit Q2+ Report 2011/12.

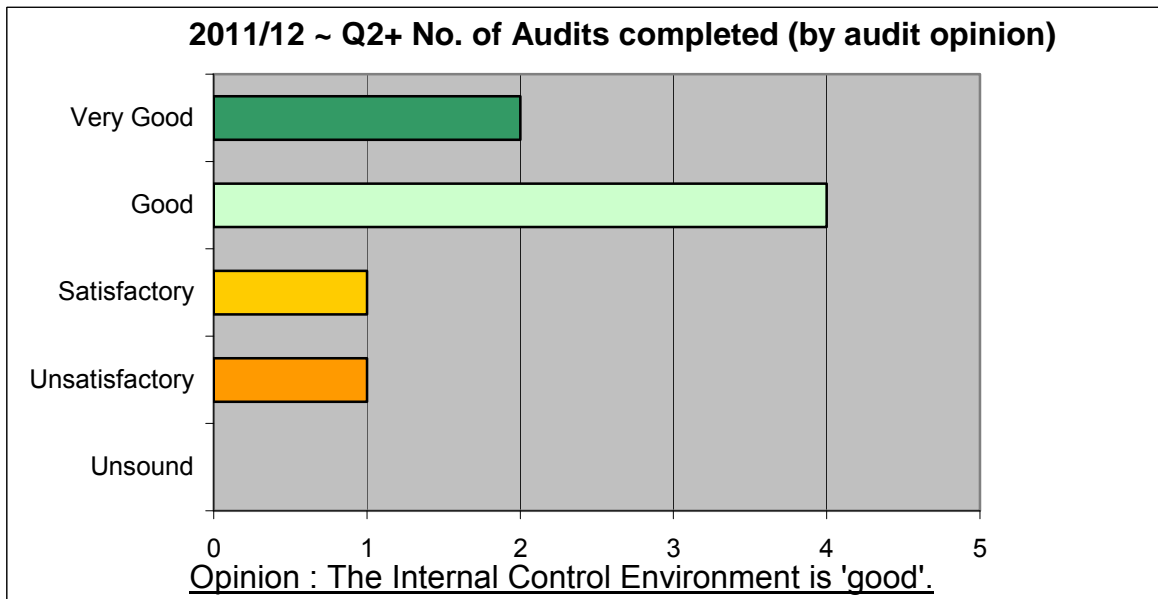


*Independent Assurance*

# Internal Audit 2011/12 Q2+ report



## Selby DC January 2012



Head of Partnership: James Ingham CPFA

Audit Manager : John Barnett

Circulation list: Members Audit Committee  
Chief Executive  
Executive Director – S151

## **Summary**

### **1.0 Introduction**

- 1.1 Internal Audit is a mandatory requirement for all councils, (Accounts & Audit regulations). The Council meets that requirement by an Internal Audit service provided through the North Yorkshire Audit Partnership.
- 1.2 The Partnership provides the service and works to the Cipfa Code of Practice for Internal Audit in Local Government. The council's external auditors undertake a tri-ennial review of the Partnership, which adds to the Accounts & Audit regulation requirement that the council undertakes an annual review of the effectiveness of the system of Internal Audit. The results of both reviews are presented to the audit panel of the Council.
- 1.3 Internal audit providers in Local Government have an obligation to produce an Annual Internal Audit Report. The Partnership considers that it is important for the panel to receive regular interim reports of audits completed, and this report follows the style of the annual report.
- 1.4 This is an important document in many ways and brings together the following in one consolidated report.
  - ◆ A clear statement of assurance by the North Yorkshire Audit Partnership regarding the adequacy and effectiveness of the internal control environment.
  - ◆ The key issues and themes arising out of the internal audit activity that has been undertaken during 2011/2012, encompassing systems audit work and any specialist reviews.
  - ◆ A summary of the opinions and key issues for the audits completed.
- 1.5 This interim report is, however, more than the sum of these parts; taken as a whole it is an important contribution to the Council reaching an understanding of what risks exist and how well they are being managed.
- 1.6 The presence of an effective internal audit function contributes significantly to the strong counter-fraud and corruption culture that exists in the council.
- 1.7 During 2011/12 no special investigations have been required to date, suggesting that the present internal control framework is effective.
- 1.8 The internal audit team are closely involved with governance matters, and are directly involved with the preparation and drafting of the Council's Annual Governance Statement.

### **2.0 Planned Audit work 2011/12**

- 2.1 The agreed number of days in the plan for internal audit was 400. The plan itself was derived from the Partnership's risk model, devised to target resources to those areas that are considered to be of the greatest risk.
- 2.2 It is, however, tempered by a number of factors; the most significant of these being the expectation of the external auditors that internal audit undertake work on the material (significant) systems of the council on an annual basis. The volume of time required is largely constant, so the balance is used for locally directed and determined audit assignments.
- 2.3 The plan also includes a provision for specialist audit work including ICT audit, and work around the partnership governance area. Finally it also includes an amount of time to meet Client support requirements, including attending audit committee, and ad-hoc or special investigations.
- 2.4 The report also contains a table which shows the schedule of planned audit work, and the audit opinion associated with those audits completed.

### 3.0 **Matters of significance from the work completed in the year**

3.1 The areas that were especially pleasing to report are as follows: -

- 👍 Audit Committee now see all IA reports in full, and are now requesting line management to attend the Audit Committee to discuss their response to the audit reports.
- 👍 We are pleased to report that there are no areas that have been classified as 'unsound' or 'unsatisfactory' from the audits completed to date in 2011/2012.

3.2 The only area that generated concern in this period was: -

- 👎 Poor contract documentation was an issue with the Recycling and Waste Management audit. Whilst in itself not something that will prevent day to day service delivery, as with any contract the time that the documentation is required is when something goes wrong. The Council must not put itself in such a position that it cannot access key contract documentation. This is why the audit opinion is split between "good" and "unsatisfactory" [n.b. in the chart on page 1, both opinions have been recorded]

### 4.0 **Audit Opinion and Assurance Statement**

4.1 We have conducted our audits both in accordance with mandatory standards and good practice contained within the CIPFA Code of Practice for Internal Audit in Local Government.

4.2 The Cipfa Code defines Internal Audit as an assurance function providing an independent opinion on the Internal Control Environment, comprising Risk Management, Governance and Internal Control. Accordingly we have structured our opinion around those three themes.

4.3 For 2011/2012, the internal audit opinion is derived from work completed as part of the agreed internal audit plan, which includes compliance with the managed audit. This is work done as part of the joint protocol between the Council's internal and external auditors who themselves are required to give an opinion on the Council's accounts. It is accepted that Internal Audit has an established position of independence within the Council more especially with the specific arrangements that exist with the North Yorkshire Audit Partnership. It has experience in control and assurance matters generally.

4.4 On balance, based upon the audit work done, together with the pre-existing cumulative audit knowledge and experience of other areas not subject to audit this year our overall audit opinion is that the Internal Control Environment for the Council is "Good".

The Assurance:	
Risk Management	The Council has embedded Risk Management within the organisation. The acquisition of, and use of Covalent performance management software for Risk Management during the year will enhance this position and provide solid bedrock for future improvement.
Governance	Our work this year to date leads us to the overall opinion that the Corporate Governance arrangements are sound.
Internal Control [financial systems, etc.]	Our overall opinion is that the internal controls within the financial systems in operation in the year to date are fundamentally sound. (75% of audits completed had a 'Very good' or 'good' audit opinion.  This is based upon our examination of the key financial systems as part of the managed audit approach, and the other financial systems that were actually audited. On that basis and our previous experience and knowledge there is no reason to believe that the systems are other than sound.

**Table of 2011/12 audit assignments completed to 30<sup>th</sup> November 2011**

<i>Audit</i>	<i>Status</i>	<i>Audit Committee</i>
<i>2011/12 ~ Material Systems</i>		
Treasury Management	<b>Completed ~ Very Good</b>	January 2012
Creditors	<b>Draft issued</b>	
Housing Benefits	<b>Draft issued</b>	
Housing Repairs	<b>Draft issued</b>	
Council Tax	In progress	
Income (Cash Receipting) System	In progress	
NNDR	In progress	
Capital Accounting/Asset Management	Scheduled Q3	
Debtors	Scheduled Q4	
General Ledger	Scheduled Q4	
Housing Rents	Scheduled Q4	
Payroll	Scheduled Q4	
<i>2011/12 Audit plan work</i>		
Homelessness Accommodation	<b>Completed ~ Very Good</b>	September 2011
Benefit Fraud (inc NFI)	<b>Completed ~ Good</b>	January 2012
Insurance	<b>Completed ~ Satisfactory</b>	January 2012
Vehicle Management	<b>Completed ~ Good</b>	January 2012
Parks & Rec' Grounds – Enterprise Contract	<b>Completed ~ Good</b>	January 2012
Recycling and Waste mgt – Enterprise	<b>Completed ~ Good/Unsatisfactory</b>	January 2012
Taxi Licensing	<b>Draft issued</b>	
Property Rentals	<b>Draft issued</b>	
PSU Stores	<b>Draft issued</b>	
Development Policy	Scheduled Q2	
Performance Management/Data Quality	Scheduled Q2	
Environmental Health – Service Provision	Scheduled Q3	
Risk Management Process	Scheduled Q4	
ICT	Scheduled Q4	
Sundry Debtors follow-up	<b>Completed</b>	January 2012

Summary of Key Issues arising from audits completed to 30<sup>th</sup> November 2011;

<u>Audit &amp; Opinion</u>	<u>Key Issues</u>	<u>Recommendations</u>	<u>Status</u>
Treasury Management 4/0200  <i>Very Good</i>	Strengths ◇ The service is effectively and efficiently administered.  Weaknesses ◇ No weaknesses.	Recommendations: ◇ Supervisor checks should be evident.	
Benefit Fraud 4/0155  <i>Good</i>	Strengths ◇ The service is effectively administered.  Weaknesses ◇ Minor weaknesses only.	Recommendations: ◇ Minor recommendations only.	<i>Recs' accepted by management.</i>
Vehicle Management 4/1380  <i>Good</i>	Strengths ◇ The service is effectively administered.  Weaknesses ◇ Minor weaknesses only.	Recommendations: ◇ Minor recommendations only.	<i>Recs' accepted by management.</i>
Parks and Rec' Grounds 4/3600  <i>Good</i>	Strengths ◇ The service is effectively administered.  Weaknesses ◇ Regular inspections around the Barlow Common reserve are currently carried out, however, in future the site is likely to be un-staffed.	Recommendations ◇ Inspection visits should be made to the Barlow Common Nature Reserve at intervals throughout the year to assess the standards in place should the facility become un-staffed.	<i>Recs' accepted by management.</i>  <i>The decision to go un-staffed has been confirmed with effect from October 2011. A supervision and maintenance programme is to be arranged.</i>
Recycling and Waste Management 4/2170  <i>Good/unsatisfactory</i>	Strengths ◇ The day to day administration and management of the recycling and domestic waste functions, under the terms of the agreed contract specification, have been ably handled by the contract team members responsible. A good level of knowledge and experience exists. It is unfortunate that an otherwise unqualified assessment of 'good' in this report has been marred by poor attention to contract document requirements.  Weaknesses ◇ Under the terms of the tender-based pre contract specification document with Enterprise Managed Services Ltd, Section 2.8 'Monitoring of the Contract', there is the provision that the authorised officer of the Council	Recommendations ◇ As required in section 2.8 'Monitoring of the Contract', contained in the specification document, an authorised officer of the Council should carry out inspection of vehicles, plant and machinery. A record should be	<i>Recs' accepted by management.</i>  <i>Informal inspections do take place on an ad hoc basis but no record is kept. The recommendation will be implemented immediately.</i>



<u>Audit &amp; Opinion</u>	<u>Key Issues</u>	<u>Recommendations</u>	<u>Status</u>
	<p>will carry out inspection of vehicles plant and equipment. The final draft contract's section 7.8 refers to the need to comply with the specification document requirements. It has been established that this has not been done.</p> <p>◇ The present table of delegated authorities on the Anite DIP system is out of date in many areas of the Authority and Finance section is working to bring records up to date with revised delegations identified and authorised.</p> <p>◇ Individual contracts should exist between the three recipients of green waste i.e. Ryedale Farms/ Briarhill/ Friendship Estates and Selby DC. However, there is no current contract with any. A fourth exists whereby SyDC has bought into the arrangement between NYCC and Yorwaste. Dry recyclables are disposed of by Enterprise which will hold any contracts directly with recipients.</p> <p>◇ The Streetscene contract between Selby District Council and Enterprise Managed Services Limited is the all-encompassing document covering waste collection functions. The comprehensive specification document is filed in Legal Services but not the principal element, being the signed/sealed agreement between the company and the Authority, which should contain the actual contract values.</p> <p>◇ The last report on file to the Environment Board on 20<sup>th</sup> January 2011 commented upon the contract arrangements and</p>	<p>kept of timing and outcome of these inspections.</p> <p>◇ Officers should only approve payments within their delegated authority specified limits.</p> <p>◇ Contracts should be drawn up between SDC and the recipients of green waste setting out full terms and conditions and signed/sealed on behalf of both the contractor(s) and the Authority.</p> <p>◇ Further efforts should be made to trace the definitive principal document, which should have been annexed to the Supplementary contract document between SDC and Enterprise Managed Services Ltd. Inter alia, this should contain the contract values which may then be verified by Audit. Once the document is traced, this should be clearly indexed and filed in the Legal Services system.</p> <p>◇ The present contract variation should be regularised by the completion of an appropriate</p>	<p><i>Furthermore, at the suggestion of the Solicitor to the Council, confirmation will be sought, on an annual basis, that all insurances relating to, inter alia, vehicle, plant and machinery, employer and public liability are in place.</i></p> <p><i>An overall reminder will be issued immediately to officers in the team.</i></p> <p><i>A tendering exercise is presently underway which should bring about a change in arrangements and thereby address this issue. Additionally, the SDC/NYCC/Yorwaste contract will be examined to establish whether it contains any 'notice period' clause that will have to be considered in advance of establishing any new arrangements.</i></p> <p><i>All deed packets are to be examined in order to establish whether a properly executed document has been mis-filed. If necessary, Legal section will revert to solicitors originally engaged to seek confirmation that the document exists.</i></p> <p><i>Business Manager and Solicitor to the Council to liaise with each other and progress with a view to an early conclusion.</i></p> <p><i>It is acknowledged that, in future, contracts should be in place before</i>17</p>

<u>Audit &amp; Opinion</u>	<u>Key Issues</u>	<u>Recommendations</u>	<u>Status</u>
	options for the future, specifically Enterprise taking over the management of recyclates. It is understood that this revised arrangement is now up and running; however, a contract variation document has not been prepared and executed.	document signed/sealed by both parties.	<i>implementation of arrangements. If this is not possible, due to timing issues, a specific interim acknowledgement should be completed stating that the terms of the appropriate tender document will be applied.</i>
Debtors Follow up	7 agreed recommendations. 6 recommendations implemented. 1 recommendation not implemented.		<i>Access rights on PARIS cash receipting system need to be updated.</i>

Summary of Key Issues arising from audits completed and previously reported.

<u>Audit &amp; Opinion</u>	<u>Key Issues</u>	<u>Recommendations</u>	<u>Status</u>
Homeless Accommodation 4/3040  <i>Very Good</i>	<p>Strengths</p> <ul style="list-style-type: none"> <li>◇ The service is effectively administered.</li> </ul> <p>Weaknesses</p> <ul style="list-style-type: none"> <li>◇ Supervisor checks on accommodation allocations are not documented.</li> </ul>	<p>Recommendations:</p> <ul style="list-style-type: none"> <li>◇ Supervisor checks should be evident.</li> </ul>	<i>Rec' accepted by management. Follow up: - Next audit: -</i>

Opinion Description

<i>Very Good</i>	Overall, very good management of risk with none, or minimal, weaknesses identified. An effective control environment is in operation.
<i>Good (The default option)</i>	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified.
<i>Satisfactory</i>	Overall, satisfactory management of risk with some weaknesses (which may be material or significant) identified. An acceptable control environment is in operation, but there are a number of improvements that could be made.
<i>Unsatisfactory</i>	Overall, poor management of risk with significant or material control weaknesses in key areas. Major improvements are required before an effective control environment will be in operation.
<i>Unsound</i>	Overall, there is a fundamental failure in the control environment and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

# Annual Audit Letter

A/11/13  
Agenda Item 6

Selby District Council

Audit 2010/11



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**Traffic light explanation**  
Red ■ Amber ◆ Green ●

# Key messages

**This report summarises the findings from my 2010/11 audit. My audit comprises two elements:**

- **the audit of your financial statements; and**
- **my assessment of your arrangements to achieve value for money in your use of resources.**

Key audit risk	Our findings
Unqualified audit opinion	
Proper arrangements to secure value for money	

## **Audit opinion and financial statements**

I issued an unqualified audit opinion on the 2010/11 financial statements on 29 September 2011.

The draft financial statements were largely error free. There were some matters arising which were included in my Annual Governance Report that was discussed and agreed with officers and the Audit Committee. Many of the issues were presentational in nature and had no impact on usable balances or reserves. Given the many changes to the financial reporting requirements due to the implementation of International Financial Reporting Standards (IFRS), this is commendable.

I was also able to certify the Council's Whole of Government Accounts return without qualification.

## **Value for money**

On the same day I also issued an unqualified conclusion stating the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Council faces significant financial pressures as a result of reduced government funding and resources will be severely constrained over the next few years. The Council recognised the impact of this at an early stage and has been proactive in its approach to delivering savings. Over the past 12 months this has involved the implementation of a number of significant changes to its constitutional, management and service delivery arrangements.

# Current and future challenges

The Council faces considerable financial challenges in the coming years, and it is likely that it will need to deliver more for less. The Council's plans already include initiatives to preserve its underlying financial health whilst delivering essential services. While the Council's finances remain comparatively healthy, it continues to recognise the need to ensure future financial risks are identified early and managed appropriately.

## Key challenges

### **Economic downturn and pressure on the public sector**

A key challenge facing the public sector is the need to maintain effective services and meet strategic objectives with less money.

Central Government funding reduced by 22.3 per cent or £1.507 million (2010/11 £6.759 million 11/12 £5.252 million), of which £0.623 million relates to concessionary fares grant, giving a net reduction of £0.884 million or 14.4 per cent. The Council has a limited number of other revenue streams so the opportunities for mitigating the loss of grant through increased income are constrained.

### **Changes to the Housing Revenue Account (HRA) funding regime**

The Government has confirmed its intention to replace the HRA subsidy system from 2012/13 through the Localism Act. This emphasises the importance of robust plans, budgets and financial plans, to reduce the risk of not breaking even under the self funding regime. Where councils take out new debt, they will need to consider wider treasury management risks.

## Commentary

To tackle this, the Council has implemented new constitutional and management arrangements and launched its Corporate Plan for 2011 to 2015. This includes plans to work with others to deliver services, increase investment and economic growth in the district as well as cutting its costs by £3 million whilst maintaining essential services.

The Council has already identified the potential implications for its HRA of these changes. It will result in the end of the current annual negative subsidy payments by the Council to Government. It will be replaced by a one off allocation of debt in the region of £59 million and a move to a self-financing system where housing rents will be retained locally. It is likely that the one off debt will be funded by long term loans from the PWLB.

## Key challenges

## Commentary

### Treasury management

All councils face challenges in how they manage debt and investments, including increasing long-term interest rates and reductions in central government support for capital expenditure. These are magnified by reduced revenue funding from central government and a reduction in the availability of affordable long-term loans from the commercial market.

The Council has a sound track record on treasury management and is aware of the need to manage these challenges effectively as part of its financial management arrangements.

### Accounting developments

There are several minor updates to the CIPFA Code of Practice on Local Authority Accounting in the UK 2011/12. The main change concerns the adoption of the requirements of FRS 30 Heritage Assets. This requires heritage assets to be measured at valuation in normal circumstances, and permits authorities to use the measurement and disclosure principles of FRS 30 for Community Assets.

The Council continues to ensure it is aware of proposed changes to ensure it has enough information to comply with new reporting requirements.

# Financial statements and annual governance statement

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

## **Overall conclusion from the audit**

I issued an audit report including an unqualified opinion on the financial statements for 2010/11 on 29 September 2011.

My audit of the financial statements progressed smoothly with the Council's finance team being very cooperative and responsive throughout.

## **Significant weaknesses in internal control**

No significant weaknesses arose during the audit other than the delays in completion of control accounts reconciliations. This has now been addressed by management.

## **Quality of your financial statements**

The Council's early work and preparation for International Financial Reporting Standards (IFRS) meant it was well placed to respond to the significant challenge this represented. This helped ensure that this year's financial statements and supporting working papers were of a good quality.

My audit identified the need to make some adjustments to the financial statements. These were generally presentational in nature and did not impact on the usable reserves available to the Council.

I also considered aspects of your accounting practices, accounting policies, accounting estimates and financial statements disclosures. I reported one issue in my Annual Governance Report. As part of my testing of the general creditors balance I tested the £1.1 million of accruals (where income is due or a cost is incurred during an accounting period, but which has not been paid or received). The result of my work was that I identified an error rate of 12.2 per cent by value, which if extrapolated would indicate a potential error of £0.134 million in the financial statements. I recommended that the finance team should request all supporting documentation for accruals and review all accrual requests thoroughly as part of the accounts closedown process. This recommendation has been accepted by officers.



### **Significant matters that were discussed or subject to correspondence with management**

In my existence testing of the leases relating to the Streetscene vehicles I found some differences between the information held by the Council in the vehicles being used on Council work and the contractor's records of the vehicles actually being used. The impact of this was that the balance sheet was overstated by £0.225 million for the vehicles included that are not used, and £0.337 million understated for the vehicles not disclosed but used on the job, with a net effect of a £0.112 million understatement. This difference was not material to the accounts but it does raise questions about the confidence that can be placed in the information provided. Officers have agreed to take action to resolve this issue.

# Value for money

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**I considered whether the Council is managing and using its money, time and people to deliver value for money. I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.**

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission.

My overall conclusion is that the Council has adequate arrangements to secure, economy, efficiency and effectiveness in its use of resources. My conclusion on each area is set out below.

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## Value for money criteria and key messages

Criterion	Key messages
<p><b>1. Financial resilience</b></p> <p><b>The organisation has proper arrangements in place to secure financial resilience.</b></p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>From the work undertaken during the audit I have not identified any significant weaknesses in the Council's arrangements.</p> <p>Audit Commission data indicates that the Council is better placed than many others in terms of its reserves but is more dependent on revenue grant support and investment income. Given the reductions that are being and will be made in grant funding and the low level of interest rates, the Council is facing a greater level of challenge than many of its peers.</p> <p>The Council is undergoing a period of significant change in its governance and management arrangements increasing the risk of a breakdown in systems and processes is increased.</p> <p>The future agenda is challenging and members and officers recognise the need to continue to closely manage the Council's finances, not only in terms of expenditure but also in seeking to optimise its income.</p>

## Criterion

## Key messages

### **2. Securing economy efficiency and effectiveness**

**The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.**

Focus for 2010/11:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

The Council is undergoing a period of change in its approach to service delivery and is seeking to achieve this at a time of reduced resources.

Information produced by the Audit Commission shows that the Council has previously been successful in securing efficiency savings and has comparatively low costs when compared to its nearest neighbours.

Its success in achieving additional savings and efficiencies will be dependent on the success of recent changes to constitutional, management and service delivery arrangements.

# Closing remarks

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I have discussed and agreed this letter with the Chief Executive and the Executive Director (s151). I will present this letter at the Audit Committee on 4 January 2012.

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.

Report	Date issued
Fee letter	April 2010
Opinion Audit Plan	February 2011
Annual Governance Report	September 2011
Opinion on the financial statements	September 2011
Value for Money conclusion	September 2011
Annual Audit Letter	November 2011

The Council has continued to take a positive and constructive approach to my audit. My team and I wish to thank the Council, Chief Executive and Executive Director (s151) and staff for their support and co-operation during the audit.

Cameron Waddell  
District Auditor  
November 2011

# Appendix 1 - Fees

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	Actual	Proposed	Variance
Audit fee <sup>i</sup>	£103,000	£103,000	£0
Certification of grant claims	£39,515 (estimate)	£39,515	£0
<b>Total</b>	<b>£142,515</b>	<b>£142,515</b>	<b>£0</b>

<sup>i</sup> These figures do not reflect the audit fee rebate of £6,172 that has been repaid to the Council, following savings made by the Audit Commission.

# Appendix 2 - Glossary

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## **Annual governance statement**

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

## **Audit opinion**

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

## **Opinion**

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

## **Value for money conclusion**

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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- any third party.



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

November 2011

**Our reference** SE00511G

13 December 2011

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YO8 9FT

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Dear Mrs Iveson

### **Selby District Council - Audit of Grant Claims and Returns 2010/11**

We are required to report annually to 'those charged with governance' the outcome of our work in relation to the certification of grant claims and returns. Such a report may take the form of a letter where there is little of significance to report, which is the case at Selby District Council for 2010/11.

One issue arose which we consider it appropriate to report to members and that relates to the maintenance of housing stock records. Our work identified that some properties do not have property cards and in other cases the information held on the cards was incomplete. Whilst we were able to obtain the information we needed from other sources within the Council, in order to support efficient management of the housing stock, we feel it would be appropriate for the Council to rationalise its records to ensure that all necessary information is held in one place.

We are required by the Commission to report:

- The value of each claim and return certified and whether or not it was amended or qualified
- The certification fees charged with comparative information from the previous year

The required information is included in the attachment to this letter.

Yours sincerely

Rob Chambers  
*Audit Manager*

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## Analysis of claims and returns certified 2010/11

Claim or return	Value (£)	Amended/qualified?	Comments	Fee 2009/10 (£)	Fee 2010/11 (£)	Comments on fee increases greater than £500
Housing and Council Tax Benefits	19,906,781	Amended by £155 and qualified.	Small errors in the classification of overpayments	29,410	26,721	
Pooling of housing capital receipts	154,410	No		No return.	595	
Housing subsidy	-4,000,266	No		2,154	2,380	
Housing base data return	N/A – return of future year estimates	No		2,937	3,962	Additional testing required by CLG due to changes in the housing finance regime.
Disabled facilities grant	145,000	No		651	1,020	
National Non Domestic Rates Return	26,338,408	Amended	Errors in the figures provided on claim form.	4,792	5,405	Time taken to address the errors identified and to check the revised return.

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