



Meeting: **AUDIT COMMITTEE**  
Date: **18 April 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. Chair's Address to the Audit Committee

### 4. Minutes

To confirm as a correct record the minutes of the proceedings of the meeting of the Audit Committee held on 4 January 2012. (pages 3 to 7 attached).

### 5. Matters Arising

#### 5.i Closed Burial Grounds

Briefing from Business Manager, Dean Richardson

#### 5.ii Barlow Common Update

To receive the Inspection Plan from Business Manager, Sarah Smith, pages 8 to 9

#### 5.iii Partnerships

To receive the Risk Management Plan from Director of Business Services, Janette Barlow, page 10 to 11

#### 5.iv A/11/17 – Staff Survey Feedback report

To receive the report from Director of Business Services, Janette Barlow, pages 12 to 14

**6. Audit Commission 2012/13 Audit Plan**

To receive the Plan from the Audit Manager, pages 15 to 33

**7. A /11/18 – Internal Audit Quarter 3+ Report 2011/12**

To receive the report of the Executive Director (s151), pages 34 to 54 attached

**8. A/11/19 – Internal Charter, Terms of Reference and Audit Plan 2012/13**

To receive the report of the Executive Director (s151), pages 55 to 66 attached

**9. A/11/20 – Accounts and Audit Regulation 6 Review**

To receive the report of the Executive Director (s151), pages 67 to 80 attached

**10. A/11/21 – Audit Committee Annual Report 2011/12**

To receive the report of the Executive Director (s151), pages 81 to 89 attached

**11. A/11/22 – Audit Committee Work Programme 2012/13**

To receive the report of the Executive Director (s151), pages 90 to 96 attached

**Martin Connor  
Chief Executive**

<b>Dates of next meetings</b>
As Work Programme 2012/13

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

### Audit Committee

- Venue: Committee Room
- Date: 4 January 2012
- Present: Councillor Mrs Casling (Chair), Councillor Crawford, Councillor Dyson, Councillor Mrs Mackman, Councillor Mrs McCartney, Councillor Nutt, Councillor Packham and Councillor Reynolds
- Apologies for Absence: Councillor Cattnach,
- Officers Present: James Ingham, Head of North Yorkshire Audit Partnership, John Barnett, North Yorkshire Audit Partnership; Rob Chambers, Audit Manager, The Audit Commission; Cameron Waddell, District Auditor, The Audit Commission; Karen Iveson, Executive Director; Mark Steward, Managing Director Access Selby; Janette Barlow, Director of Business Services; Keith Dawson, Director of Community Services; Eileen Scothern, Business Manager; Sarah Smith, Business Manager; Drew Fussey, Communities Officer and Richard Besley, Democratic Services

#### **21. DECLARATIONS OF INTEREST**

Councillor Mrs Mackman declared a personal and prejudicial interest on item 12.2 of the agenda.

The Councillor is trustee and treasurer of Selby Vision, a tenant of the Council.

## **22. MINUTES**

### **RESOLVED:**

**To receive and approve the minutes of the Audit Committee held on 28 September 2011 and they are signed by the Chair.**

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

The Chair welcomed councillors and informed the Committee that at last full Council it was agreed that any Internal Audit reports with an unsatisfactory opinion would be referred to Audit Committee as a "call-in" item on the agenda. Officers relevant to that service would be invited to attend.

The Chair also reminded the Committee that papers discussed in "Private" session must be kept so and should not be discussed outside of Committee.

## **24. A/11/12 – INTERNAL AUDIT QUARTER 2+ REPORT 2011/12**

The Head of the North Yorkshire Audit Partnership, James Ingham, presented the report and was pleased to report the overall general standard was good. The quarterly report indicated 6 completed reports as Very Good (2) and Good (4).

In response to a question on the latest position at Barlow Common, Business Manager, Sarah Smith, confirmed that the site became unmanned in November and that a schedule of inspection visits was in place. The Committee requested to view the inspection programme and policy.

Officers for the Partnership confirmed that Performance Management had been deferred and would check on the position of Development Policy but were happy that most reports for the year were under way.

The Head of the Partnership was questioned regarding the schedule. He informed the Committee that work was primarily aligned with the people working in the area to be inspected to ensure it meets and fits with their timetable.

Mr Ingham also confirmed that the Audit work Plan for next year would be received by the April meeting and the Committee could look at the timing schedule if they so wish and the Partnership will fit accordingly.

### **RESOLVED:**

**To receive and approve the report.**

## **25. A/11/13 – ANNUAL AUDIT LETTER**

Rob Chambers the Audit Manager for the Audit Commission introduced Cameron Waddell the Commission's District Auditor for Selby who had produced and published the Annual Audit Letter for 2010/11.

Mr Waddell explained the Audit Commission's role in fulfilling this function for local authorities and how his work through the autumn had progressed up to the submission of the letter.

He explained how the Council had to comply with a number of new procedures and that it had performed well with an unqualified audit opinion. One minor issue had been quickly resolved and the report was completed to show that Selby Council has good, low cost, services, and that it offered value for money.

The Commission's Annual Letter identified the loss of grant, changes to the HRA funding regime and the challenges around treasury management as key issues for the council.

Significant matters raised were in relation to new rules and procedures of the way leasing were reported. That matter was being resolved and new procedures would prevent this occurring.

### **RESOLVED:**

**To receive and approve the Audit Commission's Annual Audit Letter.**

## **26. AUDIT OF GRANT CLAIMS AND RETURNS 2011/12**

Rob Chambers, Audit Manager at the Audit Commission, introduced the report on the Audit of Grant Claims and Returns during 2010/11 that were submitted to Central Government.

All claims had now been signed off by the Commission with only two needing minor amendments.

The Audit Manager's view was that all in all it was a job well done.

### **RESOLVED:**

**To receive and approve the report.**

## **27. 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.**

**28. A/11/14 – REVIEW OF THE CORPORATE RISK REGISTER**

Audit Manager, John Barnett on behalf of the Partnership had introduced the Corporate Risk Register at the September Audit Committee and informed Councillors that it had now been reviewed by Selby Council's Senior Management Team (SMT).

The Director of Business Services reported that, despite the difficult summer of 2011 and the significant changes introduced, absence levels were lower than the same period last year.

The Director informed the Committee that a staff survey had been conducted. A review of the survey report would be brought to Audit Committee at the next meeting.

The Committee requested that an item on the Council's partnerships be received at the next meeting.

**RESOLVED:**

**To receive and endorse the report.**

**29. A/11/15 – REVIEW OF ACCESS SELBY RISK REGISTER**

The Director of Business Services presented the Risk Register to the Committee.

The Committee considered the risk scores and the mitigating actions.

The Managing Director of Access Selby responded to a number of questions on areas within his remit.

**RESOLVED:**

**To receive and endorse the report.**

**30. A/11/16 – REVIEW OF COMMUNITIES SELBY RISK REGISTER**

Communities Officer Drew Fussey presented the Communities Selby Risk Register and was able to answer the questions posed by the Committee

**RESOLVED:**

**To receive and endorse the report.**

**31. Recycling and Waste Management – Internal Audit Report**

The Internal Audit report was presented by Sarah Smith, Business Manager, who confirmed that Contracts were in place and that the agreed actions had been implemented.

**RESOLVED:**

**To receive and note the report.**

**32. PSU Stores – Internal Audit Report**

The Internal Audit report was presented by Eileen Scothern, Business Manager, who confirmed that recommendations had been accepted and steps were being taken to implement the agreed actions.

**RESOLVED:**

**To receive and note the report.**

Councillor Mrs Mackman, who had earlier declared personal and prejudicial interest, left the meeting at this point before the next item commenced.

**33. Property Rentals – Internal Audit Report**

The Internal Audit report was presented by Eileen Scothern, Business Manager, who confirmed that the recommendations had been accepted and steps were being taken to implement the agreed actions.

**RESOLVED:**

**To receive and note the report.**

The meeting closed at 7:02pm

Interim Barlow Common Supervision & Maintenance Plan November 2011

ITEM 5.ii

Issue	Baseline	Action	Measure	Monitoring frequency	Rational/ notes	Weekly	Monthly	Annual actions	
<b>General</b>									
Oversee management of Barlow Common fishery		NB: outflow pipe and adjoining open ditch needs to be kept free of blockages							Daily check
Removal of litter and detritus from car park & litter removal from picnic areas									Being carried out daily
Check site for vandalism including fires, damage to trees, damage to infrastructure.									Being carried out daily
Check boardwalks, steps, platforms and bouyancy aids are in sound condition.									Being carried out daily
Check gates are locked/open (if appropriate)									Being carried out daily
Check buildings are secure									Being carried out daily
Paths including public rights of way in good repair									Daily check
Planted beds in car park	Mulched and weed free	Weed or spray with herbicide	Number of times sprayed	Monthly during April to August	Maintain cared for look of this public site				
Fallen trees and broken branches	No dangerous trees on site	Investigate reports from public, check site periodically (3 mths), arrange tree surgeon to remove any offending trunks or branches	3 monthly check		Maintain integrity of footpaths, boundary fences or ditches				Checks for fallen tress/branches daily
Woodland including plantations	No decrease in area	None	None	Annual					
Scrub within enclosures	rabbit proof fencing secure	Repair/ replace damaged fencing							Inspected as part of routine check
Rabbit fencing	no gaps	Repair any holes or gaps		6 monthly	Rabbits inside of enclosures to be gassed or shot. Enclosures aim to protect trees from rabbit damage.				Inspected as part of routine check
Rabbit control	low population level	control		annual	Assess need for control at end of winter.				
Common ragwort control	A few scattered plants	If high risk of infestation (see notes) hand pull plants prior to seeding and dispose of as		annual in June.	Undertake a ragwort risk assessment as per published guidance. Reduce ragwort if high risk.				
Himalayan balsam removal	A few scattered plants	Hand pull flowering plants in July	Density of plants	annual	An invasive non-native species which has adverse impact on native biodiversity if not controlled. Requirement for landowner to control his invasive				
Japanese knotweed removal	A few scattered, small clumps	Remove with machinery or spray with recommended herbicide, following published guidelines	Clumps removed or sprayed	annual	An invasive non-native species which has adverse impact on native biodiversity if not controlled. Requirement that landowners control this invasive plant				



Selby BAP habitats	Location	Baseline	Hectares	Action	Measure			Annual actions	Notes
Semi-natural grassland	Former tip site	area of tip without trees	?	Cut and bale meadows to a height of 10cm in September. Dispose of bales. Smaller areas to be strimmed. Remove invasive trees.	Area (ha) cut annually				Maintains biodiversity, especially if cuttings are removed, though specialist baling machinery not always available. <b>Completed Oct 2011</b>
Semi-natural acidic woodland	North of VC, down embankment	1 area	?	non-intervention	annual check				
standing water		4 ponds and 1 mere	?	Intervention when water bodies become overgrown with emergent vegetation. Vegetation then to be dredged out. Every 10-15 years	annual check				Maintains biodiversity. Offending plants likely to be reedmace and common reed
reedbed	NW corner	2 reedbeds	?	every 10-15 years reeds will need to be dredged out to re-wet the area and start the cycle of growth anew.	annual check				
scrub	widespread	abundant	?	Maintain rabbit fencing	3 monthly check				
hedgerows	some boundaries	abundant	?	non-intervention	annual check				
floer-rich brownfield (unusual plant community similar to breckland)	area of railway tip ballast west of VC	1 area	?	Remove self-seeded tree saplings by herbicide application or hand pulling	minimum number of tree saplings				
ditches	north and east perimeter	2 ditches	?	Cut and remove vegetation growing in or alongside ditch	ditch free from obstruction				

**ACCESS SELBY REGISTER  
RISK MANAGEMENT PLAN**

**RISK (8) and (Established contracts and partnerships are inflexible)**

Likelihood	5					
	4					
	3					
	2					
	1					
		1	2	3	4	5
	Impact					

Risk Number	Current Risk Score	Target Risk Score	Description
8	12	8	Established contracts and partnerships are inflexible

	Action/controls already in place	Adequacy of action/control to address risk	Source of Funding
1.	Partnerships approach to the management of key contracts and partnerships to allow flexible approach	Currently this approach is working well and is due to good relationships being built between partners.	
2.	Outcome based scope and specification of a number of key service delivery contracts and partnerships allow a more flexible approach	Allows resource to be re-directed new of emerging priorities if necessary and encourages innovation	
3.			
4.			

	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Source of Funding
1.	Ensure SLA with CORE	Mark Steward	Mechanism is robustly applied	6 monthly	April 2012	Within Budget

**ACCESS SELBY REGISTER  
RISK MANAGEMENT PLAN**

**RISK (8) and (Established contracts and partnerships are inflexible)**

	<b>Required management action/control</b>	<b>Responsibility for action</b>	<b>Critical success factors &amp; KPI's</b>	<b>Review frequency</b>	<b>Key dates</b>	<b>Source of Funding</b>
2.	Develop a programme for review for significant contracts/partnerships. Identify opportunities for renegotiation and/or added value	Sarah Smith/Eileen Scothern	Access Selby efficiency and savings targets achieved. SLA KPI being developed to measure success Contract KPIs	Annually	July 2012	Within budget
3.	Spend Analysis Project (Procurement Partnership) – Identify opportunities for smarter procurement and contract management – action plan being developed and implemented	Sarah Smith & Procurement Partnership	Action Plan milestones delivered Access Selby Savings Targets Achieved	Annually	July 2012	Within budget
4.	Access Selby to work with CORE to develop specification of new Partnerships when current ones expire. (links to 2 above)	Mark Steward	Specification of future contracts and associated KPIs able to deliver value for money for Access Selby	Annually	July 2012	Within budget
5.	Commercial skills and experienced to be developed within Access Selby to increase capacity to gain best value from our partners	Janette Barlow/Sarah Smith	Re-negotiation of contracts Savings Action Plan achieved Commercial Skills developed in key areas of the Business	Quarterly	June 2012	Within budget

**To:** Audit Committee  
**Date:** 18 April 2012  
**Author:** Janette Barlow – Director of Business Services  
**Lead Officer:** Karen Iveson – Executive Director (S151)

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**Title:** Staff Survey Update

**Summary:** The report updates Councillors on the recent staff survey and the follow up work in response to the findings.

**Recommendation:**

**Councillors to note the actions taken.**

**1. Introduction and background**

- 1.1 The staff survey was carried out in late October 2011. Forty five percent of staff responded to the survey with responses received from the whole organisation. Responses were also representative of each of the pay bands and from the three different parts of the organisation.
- 1.2 The survey incorporated both quantitative information together with an opportunity for staff to comment using open-ended questions. The latter gave us some valuable data with regard to possible ideas for improvement.

**2. The Report**

- 2.1 The questions within the survey were based around a small number of key themes which were:
- Leadership and Empowerment
  - People
  - Strategy
  - Resources and processes
- 2.2 It was agreed that a Staff Survey Response Group be organised and employees were asked to submit their interest if they wished to be part of it. Staff were recruited from across the organisation and met to discuss a way forward.

### 2.3 Outcomes from the working group include the following:

- An annual schedule of Corporate Session meetings for all staff (the first was held in December). These will also be followed up by an informal 'drop-in' session by a Director to allow staff to raise any questions on a more informal basis.
- To ensure all staff receive the same corporate information, all written communication will be attached to payslips for employees who do not have access to the e-mail system.
- To ensure staff are all aware of what is expected from them, a revised Performance Contract will be 'rolled out' by the end of March. This replaces the former Joint Appraisal (JPR) system.
- Development needs identified through the Performance Contract will be used to formulate a training programme for staff but in the meantime a mini training needs analysis has been carried out to identify specific training needs for employees. As a result a number of development sessions have been run which include: team building events for newly created teams, on-the-job training with more experienced colleagues, coping with Pressure and Confidence Building.
- In order to assist with workloads the Transformation Team have been working with teams to look at the ways of working in order to improve efficiencies. There have also been numerous Business Process transformation exercises to assist, streamline and simplify processes. Additional temporary resources have also been provided within various teams e.g. benefits, community team and homelessness to build capacity.
- A new Staff Recognition Award is being developed and will be launched to recognise and celebrate success and achievements. A review of communication is also being undertaken.
- We are working with senior managers in developing the new culture and exploring opportunities for growth or income generation whilst developing the commercial skills required drive the organisation forward.

Staff will be kept up to date with progress made and attached at appendix 1 is a copy of the first staff survey newsletter circulated.

## **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 Costs of external training will be met within budget.

### **4. Conclusion**

4.1 We have taken on board the feedback from staff as part of the survey and have developed an action plan which is currently being implemented. It is the intention that we carry out some interim interviews over the coming months to test out some of the improvements and then run the survey again next year.

### **5. Background Documents**

Organisational Development Strategy.

# Audit plan

Selby District Council

Audit 2011/12



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# Introduction

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**This plan sets out the work for the 2011/12 audit. The plan is based on the Audit Commission's risk-based approach to audit planning.**

## **Responsibilities**

The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to you.

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and I undertake my audit work to meet these responsibilities.

I comply with the statutory requirements governing my audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice for local government bodies.

My audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

# Accounting statements and Whole of Government Accounts

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I will carry out the audit of the accounting statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB). I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view.

## Materiality

I will apply the concept of materiality in planning and performing my audit, in evaluating the effect of any identified misstatements, and in forming my opinion.

## Identifying audit risks

I need to understand the Authority to identify any risk of material misstatement (whether due to fraud or error) in the accounting statements. I do this by:

- identifying the business risks facing the Authority, including assessing your own risk management arrangements;
- considering the financial performance of the Authority;
- assessing internal control, including reviewing the control environment, the IT control environment and internal audit; and
- assessing the risk of material misstatement arising from the activities and controls within the Authority's information systems.

## Identification of significant risks

I have considered the additional risks that are relevant to the audit of the accounting statements and have set these out below.

Table 1: **Significant risks**

Risk	Audit response
<p><b>IAS 19 and Pensions</b></p> <p>The Council must include pension assets at fair value using the valuation method described in IAS19. Pension assets can be subject to significant volatility and require annual valuations. The disclosures in the financial statements involve the use of the scheme Actuary, as the Council's expert and include significant estimates.</p>	<p>I will evaluate the management controls you have in place to assess the reasonableness of the figures provided by the Actuary.</p> <p>I will assess the controls over the estimation uncertainties</p> <p>I will agree the figures from the Actuary's report to the financial statements and check the narrative disclosures are consistent with disclosures.</p>
<p><b>Valuation of property, plant and equipment (PPE) - Civic Centres</b></p> <p>The Council is required to value PPE at fair value (with some exceptions). There is a risk that the valuation reported in the financial statements will be materially misstated due to the possibility that the value of the new Civic Centre and/or the disposal value of the old Civic Centre may not have been correctly accounted for.</p>	<p>I will review your controls over establishing estimates, including arrangements for instructing your valuer and controls over information provided to valuer.</p> <p>Procedures for reliance on the work of the valuer.</p> <p>Tests of detail on valuations and any associated depreciation calculations</p>
<p><b>Housing Revenue Account reform</b></p> <p>The government plans to reform local authority housing finance by adopting a self-financing model from 1 April 2012. This will be through a one-off settlement payment to or from central government on or before 28 March 2012. This will adjust the HRA debt of the Authority. Payments from government will in most cases be used to redeem an equal percentage of all PWLB debt held by the Authority. Due to the complexity, magnitude and timing of the HRA reform there is risk that the financial statements will be materially misstated.</p>	<p>Review of management oversight of HRA reforms and transactions required by the Authority.</p> <p>Tests of detail on the settlement payment or receipt.</p>

## Testing strategy

My audit involves:

- review and re-performance of work of your internal auditors;
- testing of the operation of controls;
- reliance on the work of other auditors;
- reliance on the work of experts; and
- substantive tests of detail of transactions and amounts.

I have sought to:

- maximise reliance, subject to review and re-performance, on the work of your internal auditors; and
- maximise the work that can be undertaken before you prepare your accounting statements.

I will agree with you a schedule of working papers required to support the entries in the accounting statements.

## **Whole of Government Accounts**

Alongside my work on the accounting statements, I will also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report are specified by the National Audit Office.

# Value for money (VFM)

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**I am required to reach a conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.**

My conclusion on the Authority's arrangements is based on two criteria, specified by the Commission. These relate to the Authority's arrangements for:

- securing financial resilience – focusing on whether the Authority is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Authority is prioritising its resources within tighter budgets and improving productivity and efficiency.

I will plan a programme of VFM work based on my risk assessment, focussing my work on the following areas:

- The Medium Term Financial Strategy (including the periodic monitoring reports)
- The monitoring and action taken to achieve the planned savings and efficiencies.

# Key milestones and deadlines

The Authority is required to prepare the accounting statements by 30 June 2012. I aim to complete my work and issue my opinion and value for money conclusion by 30 September 2012.

Table 2: **Proposed timetable and planned outputs**

Activity	Date	Output
Opinion: controls and early substantive testing	February/March 2012	
Opinion: receipt of accounts and supporting working papers	by 30 June 2012	
Opinion: substantive testing	July – September 2012	
Value for money	January – September 2012	
Present Annual Governance Report at the Audit Committee	26 September 2012	Annual Governance Report
Issue opinion and value for money conclusion	By 30 September 2012	Auditor's report
Summarise overall messages from the audit	by 31 October 2012	Annual Audit Letter

# The audit team

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The key members of the audit team for the 2011/12 audit are as follows.

Table 3: **Audit team**

Name	Contact details	Responsibilities
Cameron Waddell District Auditor	<a href="mailto:c-waddell@audit-commission.gov.uk">c-waddell@audit-commission.gov.uk</a> 0844 798 1632	Responsible for the overall delivery of the audit including quality of reports, signing the auditor's report and liaison with the Chief Executive.
Rob Chambers Audit Manager	<a href="mailto:r-chambers@audit-commission.gov.uk">r-chambers@audit-commission.gov.uk</a> 07818 458 593	Manages and coordinates the different elements of the audit work. Key point of contact for the Executive Director (s151).
Ross Woodley Team Leader	<a href="mailto:r-woodley@audit-commission.gov.uk">r-woodley@audit-commission.gov.uk</a> 01740 731023	Supervises the on-site work. Key point of contact for finance staff.
Allison Kent Auditor	<a href="mailto:a-kent@audit-commission.gov.uk">a-kent@audit-commission.gov.uk</a> 0844 798 1332	Undertakes detailed work on the opinion and vfm conclusion. Key point of contact for grant claims.

# Independence and quality

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## Independence

I comply with the ethical standards issued by the APB and with the Commission's additional requirements for independence and objectivity as summarised in appendix 1.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

## Quality of service

I aim to provide you with a fully satisfactory audit service. If, however, you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director – Standards & Technical, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ ([c-westwood@audit-commission.gov.uk](mailto:c-westwood@audit-commission.gov.uk)) who will look into any complaint promptly and to do what he can to resolve the position.

If you are still not satisfied you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).



# Fees

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The fee for the audit is £97,850, as indicated in my letter of 28 April 2011. This is the scale fee set by the Audit Commission.

The scale fee covers:

- my audit of your accounting statements and reporting on the Whole of Government Accounts return; and
- my work on reviewing your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The scale fee reflects:

- the Audit Commission's decision not to increase fees in line with inflation;
- a reduction resulting from the new approach to local VFM audit work; and
- a reduction following the one-off work associated with the first-time adoption of International Financing Reporting Standards (IFRS).

Variations from the scale fee only occur where my assessments of audit risk and complexity are significantly different from those reflected in the 2010/11 fee. I have not identified significant differences and have therefore set the fee equal to the scale fee.

## Assumptions

In setting the fee, I have made the assumptions set out in appendix 2. Where these assumptions are not met, I may be required to undertake more work and therefore increase the audit fee. Where this is the case, I will discuss this first with the Executive Director (s151) and I will issue a supplement to the plan to record any revisions to the risk and the impact on the fee.

## Specific actions you could take to reduce your audit fee

The Audit Commission requires me to inform you of specific actions you could take to reduce your audit fee. I have identified the following actions that you could take. . As in previous years, I will work with staff to identify any specific actions that the Council could take and to provide ongoing audit support.

## Total fees payable

In addition to the fee for the audit, the Audit Commission will charges fees for:

- certification of claims and returns; and
- any agreed provision of non-audit services under the Audit Commission's advice and assistance powers.

Based on current plans the fees payable are as follows.

Table 4: Fees

	2011/12 proposed	2010/11 actual	Variance
Audit	97,850	103,000	-5,150
Certification of claims and returns	39,000(estimate)	40,083	-1,083
<b>Total</b>	<b>136,850</b>	<b>143,083</b>	<b>-6,233</b>

# Appendix 1 – Independence and objectivity

Auditors appointed by the Audit Commission must comply with the Commission’s Code of Audit Practice and Standing Guidance for Auditors. When auditing the accounting statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB). These impose stringent rules to ensure the independence and objectivity of auditors. The Audit Practice puts in place robust arrangements to ensure compliance with these requirements, overseen by the Audit Practice’s Director – Standards and Technical, who serves as the Audit Practice’s Ethics Partner.

Table 5: **Independence and objectivity**

Area	Requirement	How we comply
Business, employment and personal relationships	<p>Appointed auditors and their staff should avoid any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.</p> <p>The appointed auditor and senior members of the audit team must not take part in political activity for a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.</p>	<p>All audit staff are required to declare all potential threats to independence. Details of declarations are made available to appointed auditors. Where appropriate, staff are excluded from engagements or safeguards put in place to reduce the threat to independence to an acceptably low level.</p>

Area	Requirement	How we comply
Long association with audit clients	The appointed auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional consideration of threats to independence after five years.	The Audit Practice maintains and monitors a central database of assignment of auditors and senior audit staff to ensure this requirement is met.
Gifts and hospitality	The appointed auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.	All audit staff are required to declare any gifts or hospitality irrespective of whether or not they are accepted. Gifts and Hospitality may only be accepted with line manager approval.
Non-audit work	<p>Appointed auditors should not perform additional work for an audited body (that is work above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might result in a reasonable perception that their independence could be compromised.</p> <p>Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.</p> <p>Work over a specified value must only be undertaken with the prior approval of the Audit Commission's Director of Audit Policy and Regulation.</p>	All proposed additional work is subject to review and approval by the appointed auditor and the Director – Standards and Technical, to ensure that independence is not compromised.

*Code of Audit Practice, Audit Commission Standing Guidance and APB Ethical Standards*

# Appendix 2 – Basis for fee

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In setting the fee, I have assumed the following.

- The risk in relation to the audit of the accounting statements is not significantly different to that identified for 2010/11. For example:
  - internal controls are operating effectively;
  - I secure the co-operation of other auditors and the experts on which I propose to rely; and
  - good quality, comprehensive and accurate working papers are available at the start of the financial statements audit
- The risk in relation to my value for money responsibilities is not significantly different to that identified for 2010/11.
- Internal Audit meets professional standards.
- Internal Audit undertakes sufficient appropriate work on all systems that provide material figures in the accounting on which I can rely.
- The Authority provides:
  - good quality working papers and records to support the accounting statements and the text of the other information to be published with the statements by the agreed date;
  - other information requested within agreed timescales; and
  - prompt responses to draft reports.
- There are no questions asked or objections made by local government electors
- I am not required to enter any significant correspondence in relation to the audit.

Where these assumptions are not met, I will have to undertake more work which is likely to result in an increased audit fee.

# Appendix 3 – Glossary

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## **Accounting statements**

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

## **Annual Audit Letter**

Report issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

## **Annual Governance Report**

The auditor's report on matters arising from the audit of the accounting statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

## **Annual Governance Statement**

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

## **Audit of the accounts**

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

## **Audited body**

A body to which the Audit Commission is responsible for appointing the external auditor.

## **Auditing Practices Board (APB)**

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

## **Auditing standards**

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

## **Auditor(s)**

Auditors appointed by the Audit Commission.

## **Code (the)**

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

## **Commission (the)**

The Audit Commission for Local Authorities and the National Health Service in England.

## **Ethical Standards**

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

## **Group accounts**

Consolidated accounting statements of an Authority and its subsidiaries, associates and jointly controlled entities.

## **Internal control**

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

## **Materiality**

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the accounting statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the accounting statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the accounting statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the accounting statements, which do not necessarily affect their opinion on the accounting statements.

## **Significance**

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the accounting statements. Significance has both qualitative and quantitative aspects.

## **Those charged with governance**

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

## **Whole of Government Accounts**

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its accounting statements.



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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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February 2012

**Report Reference Number A/11/18**

**Agenda Item No: 7**

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**To:** Audit Committee  
**Date:** 18 April 2012  
**Author:** James Ingham; Head of Partnership, NYAP  
**Lead Officer:** Karen Iveson – Executive Director (s151)

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**Title:** Internal Audit Q3+ Report 2011/12

**Summary:** The purpose of the report is to present the Internal Audit Q3+ 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 Q3+ Report 2011/12 is 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 Q3+ 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 Q3+ 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 Q3+ Report 2011/12.

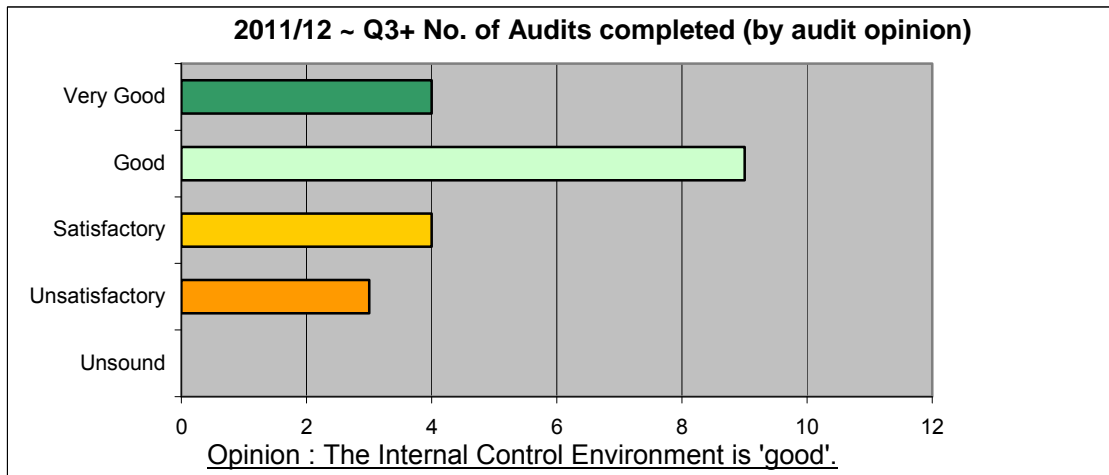


Independent Assurance

# Internal Audit 2011/12 Q3+ report



## Selby DC March 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' from the audits completed to date in 2011/2012. However there are a number with "unsatisfactory" and some of the "satisfactory" opinions are borderline "unsatisfactory".

3.2 The areas that generated concern in this period were: -

- 👎 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]
- 👎 The Property rentals system had a number of weaknesses; of the records tested, there was an error rate of 33% in the rental data held in the system. In respect of the rental moneys due, there was, at the time of audit, approx 33% (£68,000) in arrears greater than 90 days (3 months), of which some £10,000 was in arrears over 12months. Tenancies were being set up without the tenancy checklist, designed to create effective records being used, or incomplete.
- 👎 The Stores system exhibited a number of concerns, not uncommon with such systems. The stock records are not maintained in a timely or effective manner. There is limited stock control, weaknesses with the recording of purchases to be charged directly to jobs, and generally over the physical stock. Stocktaking is sporadic, and not reconciled to the stock control records.

#### 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 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.]	<p>Our overall opinion is that the internal controls within the financial systems in operation in the year to date are fundamentally sound. (65% of audits completed had a 'Very good' or 'good' audit opinion.)</p> <p>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.</p>



**Table of 2011/12 audit assignments completed to 29<sup>th</sup> February 2012**

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

Summary of Key Issues arising from audits completed to 29<sup>th</sup> February 2012:

<u>Audit &amp; Opinion</u>	<u>Key Issues</u>	<u>Recommendations</u>	<u>Status</u>
Council Tax 4/0110.11  Good	<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>◇ At the time of audit there were 2,864 accounts in credit totalling £213,000 with most of these balances dating back many years.</li> <li>◇ Quality control review of work used to be undertaken by a designated officer. This is something still in need of re-development.</li> <li>◇ There are a number of debts, apparently statute-barred, dating back over a decade, suggesting that reviewing the validity of suppressions has not been sufficiently comprehensive.</li> <li>◇ Write-Off authorisation procedures are followed; but not reconciled to the general ledger. Existing reconciliation work has not addressed this.</li> </ul>	<p>Recommendations:</p> <ul style="list-style-type: none"> <li>◇ Review work should be re-commenced with a report of credit balances drawn from the system and regularly thereafter to form a rolling programme. <i>(Subject repeated from previous audits).</i></li> <li>◇ A comprehensive review of the validity of suppressions should be undertaken. Any debts to be written off should be dealt with promptly. <i>(Subject repeated from previous audits).</i></li> <li>◇ A reconciliation should take place of Council Tax debt write-offs against the totals recorded in the general ledger. <i>(Subject repeated from previous audits).</i></li> </ul>	<p><i>Recommendations accepted by management.</i></p> <p><i>Agreed that this work will be done, but timing will depend upon identifying priorities and the availability of resource. To be kept under review.</i></p> <p><i>Agreed that this work will be done, but timing will depend upon identifying priorities and the availability of resource. To be kept under review.</i></p> <p><i>Agreed that this work will be undertaken on an annual basis in advance of closedown of accounts.</i></p>
Creditors 4/0120.11  Satisfactory	<p>Strengths:</p> <ul style="list-style-type: none"> <li>◇ The service is effectively administered although some risks need to be addressed.</li> </ul> <p>Weaknesses:</p> <ul style="list-style-type: none"> <li>◇ From a sample of 25 invoices received and paid since the last audit, 3 (12.5%) had been authorised by officers with insufficient delegated limits and this had not been highlighted by the staff processing the payments.</li> <li>◇ At previous audits it was recommended that supervisory staff review a sample of newly created or amended supplier details to identify any potentially fraudulent activity. There is no report available through the system systems therefore and as such a Business Object report would need to be configured to produce the information required to complete such a check.</li> </ul>	<p>Recommendations:</p> <ul style="list-style-type: none"> <li>◇ Business Admin. Staff should ensure that they check the discretionary powers of the authorising officer for invoices before processing the payment, (N.B. consideration could be given to setting a "floor limit" above which all items would be checked.)</li> <li>○ The feasibility of segregating the roles on COA of creating or amending supplier details and inputting invoices should be investigated. If this proves to be an onerous task then as previously recommended: supervisory checks by a designated, suitably trained, officer having access to the COA system should be introduced to highlight any potentially</li> </ul>	<p><i>Recommendations accepted by management.</i></p> <p><i>Agreed. A floor limit will be set above which checks will be made.</i></p> <p><i>Random spot checks will be undertaken each month. If risk is perceived to be low then the frequency of these may be reduced to quarterly.</i></p>

<u>Audit &amp; Opinion</u>	<u>Key Issues</u>	<u>Recommendations</u>	<u>Status</u>
	<ul style="list-style-type: none"> <li>◇ All cheques are pre-printed with a facsimile of the s151 officer's signature. The stock of cheques is not retained in a secure area.</li> </ul>	<p>fraudulent or unauthorised payments. <i>(Repeated in part from the last audit)</i></p> <ul style="list-style-type: none"> <li>◇ All blank cheques should be held in a secure locked storage area with access to keys/combination being restricted to authorised holders.</li> </ul>	<p><i>The cheques have been moved to locked storage upon receipt of the draft report.</i></p>
<p>Benefits 4/0150.11  <i>Satisfactory</i></p>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>◇ The service is effectively administered although some risks need to be addressed.</li> </ul> <p>Weaknesses:</p> <ul style="list-style-type: none"> <li>◇ A quarterly internal data-matching exercise has been carried out in the past to compare Payroll, Benefits and Benefits Fraud databases to identify and anomalies. The last confirmation of this exercise was given in April 2011. No subsequent checks are on record. It appears that this is an area where workload/resource pressures have resulted in slippage.</li> <li>◇ A Benefits Control Account SZ0894- ZSBP exists, which operates as such. However, there is another i.e. SZ0894-ZSBD described as Benefits Control Account – General Benefits Debtors – Benefits Overpayments. This does not appear to behave as a control account as it comprises an accrual of credit entries culminating, at present, in an accrued credit balance of £62,246.44. Officers were unable to explain the purpose of this account.</li> <li>◇ According to Finance Section records, reconciliations that should be performed are: <ul style="list-style-type: none"> <li>a) SZ0883 Z705 – Housing Benefit Income monthly by the Lead Officer Debt Control.</li> <li>b) SZ0894 ZSBP – Benefits Control monthly by the Lead Officer Benefits and Taxation.</li> <li>c) SF0502 5004 – Housing Benefits/Rent Rebates quarterly ditto.</li> <li>d) SF0501 5003 – Rent Allowance Other Income quarterly ditto.</li> </ul> </li> </ul>	<p>Recommendations:</p> <ul style="list-style-type: none"> <li>◇ The quarterly internal data-matching exercise, wherein Payroll, Benefits and Benefits Fraud databases are compared, together with any necessary enquiries resulting from this, should be brought up to date and carried out regularly thereafter.</li> <li>◇ The purpose of account SZ0894-ZSBD and ultimate destination of the accrued credit balance should be investigated and explained. An appropriate designation should be given to the account as it is not a control account.</li> <li>◇ Systems Reconciliations should be brought up to date.</li> </ul>	<p><i>Recommendations accepted by management.</i></p> <p><i>All data matching work is now the responsibility of the Enforcement Team.</i></p> <p><i>Audit enquiry made of Senior Enforcement Officer on 24<sup>th</sup> February 2012 reveals that this work has yet to commence with no date given until an HR issue has been resolved.</i></p> <p><i>As at 24<sup>th</sup> February 2012, this issue remains unresolved. No-one has yet been able to offer a satisfactory explanation. The matter has now been passed to the Lead Officer – Finance for assistance and resolution.</i></p> <p><i>Reconciliations have now been undertaken for the accounts listed up to December 2011 i.e. end of quarter 3. The exceptions are: SZ0894 ZSBP which is considered to be unnecessary given the other reconciliations in place and SA0104 5001 where expenditure is not accounted for in COA until the end of the year.</i></p>

<u>Audit &amp; Opinion</u>	<u>Key Issues</u>	<u>Recommendations</u>	<u>Status</u>
	<p>e) SA0104 5001 – Council Tax Benefit quarterly ditto.</p> <p>These reconciliations have not been carried out during the current financial year save for the first i.e. Housing Benefit Income.</p> <p>◇ The main server for the Northgate system is hosted by East Riding of Yorkshire Council and it is expected that their back-up arrangements are robust. However, no recent assurance appears to have been given by ERYC to SDC with regard to this and any associated business recovery planning. Furthermore, it is understood that the contract arrangement with ERYC has expired. Therefore, there is no longer a formal agreement in place covering ongoing provision of this facility.</p>	<p>◇ Assurance should be sought with regard to the adequacy of back-up arrangements in place at ERYC and any associated disaster recovery/business continuity planning. Such assurance should be sought on an annual basis. Furthermore, a Contract / Service Level Agreement for ongoing provision of this facility should be put in place.</p>	<p><i>Arrangements will be made to contact ERYC via the Data &amp; Systems team to obtain the necessary assurance.</i></p> <p><i>It is understood that the matter of the contract / SLA is receiving attention. Confirmation of position sought by Audit from Director of Business Services.</i></p>
<p>Income (Cash receipting) System</p> <p><i>Good</i></p>	<p>Strengths:</p> <p>◇ The service is effectively administered.</p> <p>Weaknesses:</p> <p>◇ On the day of the auditors visit the cash tins were left unattended in the secure area with the keys to the tins in an unlocked drawer. It remains the case that the, collection, counting, bagging and sealing of cash is usually carried out by only one member of staff. A fundamental aspect of bulk cash remittance, via security company, is a clear management trail and assurance that correct procedures have been followed. Any breakdown in these processes, e.g. through the absence of dual control, can lead to unnecessary uncertainty should cash go missing and the Authority being unable to offer basic assurances in the event of any associated investigation and insurance claim.</p> <p>◇ From discussions it was ascertained that amounts in suspense had not been reconciled for some months (since prior to the move to the new civic centre). The balance</p>	<p>Recommendations:</p> <p>◇ The transfer of responsibility for car park cash to WL&amp;CT should be pursued with alacrity, however, in the meantime:</p> <p>◇ Cash should not be left unattended in the strong room.</p> <p>◇ Cash should be made up for collection by two officers in the presence of each other, who should both sign the credit slip counterfoil retained, to verify correctness of the cash made up.</p> <p><i>(Repeated in essence from previous audits).</i></p> <p>Income items held in Suspense should be reviewed and reconciled each month with appropriate action taken to allocate items to the correct accounts. In particular Unidentified BGC Suspense</p>	<p><i>Recommendations accepted by management.</i></p> <p><i>The negotiations with WL&amp;CT are underway.</i></p> <p><i>It is considered that the risk is acceptable in the short term.</i></p> <p><i>(Nth Kesteven “Elvis” fraud case.)</i></p> <p><i>The outstanding balance has been greatly reduced. Regular quarterly reconciliations will be made in future.</i></p>

<u>Audit &amp; Opinion</u>	<u>Key Issues</u>	<u>Recommendations</u>	<u>Status</u>
	<p>on this particular account stood at over £2m on the day examined with some items appearing to have been outstanding for many months.</p>	<p>SX0713/Z169 which has a balance of over £2M at 31/10/11 needs attention.</p>	
<p>NNDR 4/0180.11</p> <p>Good</p>	<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>◇ Overall awareness and application of reliefs is in order save for the following. <ul style="list-style-type: none"> <li>• The audit results indicate that there is a need to carry out an examination of the 'End' and 'Review' dates for active reliefs on the system.</li> </ul> </li> <li>• Evidence is not always present to show which officer, with appropriate authority, agreed to the discount or relief applied.</li> <li>◇ The system End of Year Procedure guide seen by Audit gave an incorrect (old) value of £18,000 for the 'Minimum RV for Empty Rate' figure. This amount was loaded into the system rather than the correct figure of £2,600. Fortunately, it has been confirmed that no accounts have been affected to date, as staff were aware of the lower figure.</li> <li>◇ Correct write off authorisation procedures are followed; however, the gross total from the debt schedules is not agreed to the Northgate control figures feeding into the general ledger. Existing reconciliation work has not addressed this.</li> <li>◇ At the time of audit there were 292 accounts in credit totalling £108,000 with most of these balances dating back many years. Work has now been done in respect of the year 2008/09 to address this issue, however</li> </ul>	<p>Recommendations:</p> <ul style="list-style-type: none"> <li>◇ A check should be carried out of the 'End' and 'Review' dates for active reliefs on the Northgate system. If such a check is not to be facilitated through use of the date recording facilities on Northgate, any alternative procedure should be documented in an appropriate guide. <i>(Repeated in amended form from previous audit)</i></li> <li>◇ Evidence should always be present with the application to show which officer with appropriate authority agreed to the discount or relief applied.</li> <li>◇ A check of parameters loaded each year should be undertaken by Local Taxation staff to verify, inter alia, that stated values accord with current legislative instruction issued by the DCLG.</li> <li>◇ A reconciliation should take place of total scheduled and authorised NNDR debt write-offs filed in DIP for a given year against the totals recorded both in the general ledger and in the spreadsheet workings resulting in the Losses in Collection figure on the NNDR3 return. <i>(Repeated in amended form from previous audits).</i></li> <li>◇ Review work should be recommenced with a report of credit balances drawn from the system and regularly thereafter to form a rolling programme. <i>(Subject repeated from previous audits).</i></li> </ul>	<p><i>Recommendations accepted by management.</i></p> <p><i>It is a requirement that all businesses must be given a year's notice that a review is to be undertaken of any relief granted (except Small Business Relief). It will be necessary to prioritise such work, possibly by type of relief and values. The capacity to undertake this work and timings will depend upon identifying overall work priorities and the availability of resource. To be kept under review.</i></p> <p><i>Agreed. Such a check for the coming year 2012/13 was undertaken on 22.2.2012</i></p> <p><i>Agreed that this work will be undertaken on an annual basis in advance of closedown of accounts.</i></p> <p><i>Agreed that this work</i></p>

<u>Audit &amp; Opinion</u>	<u>Key Issues</u>	<u>Recommendations</u>	<u>Status</u>
	further work is needed.		<i>will be done, but timing will depend upon identifying priorities and availability of resource. To be kept under review.</i>
<p>Council House Repairs 4/3050.11</p> <p><i>Satisfactory</i></p>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>◇ The service is effectively administered although some risks need to be addressed.</li> </ul> <p>Weaknesses:</p> <ul style="list-style-type: none"> <li>◇ The current procedure notes in use are now out of date and staff are unclear as to whose responsibility it is to raise invoices for re-chargeable repairs. A general ledger extract for Direct Works – Housing/Other Income, was obtained and this showed that there has been an absence of activity in the two months between 24<sup>th</sup> June and 21<sup>st</sup> Sept 2011. Of the 61 items noted as rechargeable between 18/10/10 and 13/9/11 evidence of an invoice being raised was seen in only 27 cases i.e. &lt;50% resulting in a potential loss of income. (Amounts not invoiced total £21k)</li> <li>◇ At the last audit it was highlighted that invoices were raised for rechargeable repairs without the necessary pragmatism being shown in assessing each case on its merits. The situation has not altered in that there is no assessment of the likelihood of cost recovery before raising an invoice. It was agreed that a working group would be set up to look at all aspects of rechargeable repairs at the last audit but this never transpired.</li> <li>◇ The amount of aged debt relating to the section has reduced since the last audit in 2009 by over 60% and stands at c£44k. Much of the reduction has come from write-offs in 2009 following the audit. Whilst it is clear that standard</li> </ul>	<p>Recommendations:</p> <ul style="list-style-type: none"> <li>◇ The process for dealing with rechargeable repairs needs to be re-visited and procedure notes updated as invoices have not been raised in over 50% of cases for the period since October 2010. In addition to this, the apparent absence of charges during the period July to September 2011 should be investigated and where still within timescales, invoices raised.</li> <li>◇ A working group should be set up to look into the subject of re-chargeable repairs. Its brief should include assessing the degree of discretion that should be applied in raising a re-charge and how reasoned judgement may be applied in reducing or waiving charges, where there is no hope of recovery from the outset. In arriving at such decisions, due account should be taken of the tenant's known history and financial circumstances. <i>(Repeated from last audit)</i></li> <li>◇ Where repayment programmes are agreed these should be closely monitored and additional recovery action taken where repayments are not maintained.</li> </ul>	<p><i>Recommendations accepted by management.</i></p> <p><i>A team has been set up to look at this process with a new procedure to be in place by the end of the year.</i></p> <p><i>The subject of raising invoices is to be looked at as a corporate issue and a risk assessment undertaken prior to the setting of fees for year 2013/14.</i></p> <p><i>A team has been set up to look at this process with a new procedure to be in place by the end of the year.</i></p>

<u>Audit &amp; Opinion</u>	<u>Key Issues</u>	<u>Recommendations</u>	<u>Status</u>
	<p>default letters are being sent out (and accounts passed to debt recovery agents) it is less clear what monitoring is being undertaken on cases where repayment programmes have been agreed but not maintained e.g. customer 25248 agreed to £10 p.w. in Feb 2011 but no movement or recovery action noted since.</p>		
<p>Debtors 4/0130.11</p> <p><i>Very Good</i></p>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>◇ The service is efficiently and effectively managed.</li> </ul> <p>Weaknesses:</p> <ul style="list-style-type: none"> <li>◇ “Suppressions” can only input once the invoice falls into arrears. At this point a “hold until xxxx date” is input. The date can be any date in the future and if, by design or error, a date long in the future is input e.g. 31/12/12 this should be picked up on the Monthly report ACTR20. Prior to the report requested on 24/11/11, for the auditor, the last report printed was dated 04/04/11. As such any holds with extended dates would not have been highlighted.</li> </ul>	<p>Recommendations:</p> <ul style="list-style-type: none"> <li>◇ The List of Disputed Items, report ACTR20, should be reviewed each month to ensure that any hold or suppression is still valid and the dispute code removed when the dispute is resolved.</li> </ul>	<p><i>Recommendations accepted by management.</i></p> <p><i>This process has been added to the month end procedure. It was carried out in December and will be done on a monthly basis from now on.</i></p>
<p>General Ledger 4/0140.11</p> <p><i>Very Good</i></p>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>◇ The service is efficiently and effectively managed.</li> </ul> <p>Weaknesses:</p> <ul style="list-style-type: none"> <li>◇ Sufficient attention is not paid to the Unpaid Bank Giro Credit Suspense account to reduce the number of items seen. A debit balance of £1.5m was noted at the start of the audit (reduced to £526,000 by 6/1/12) on the COA system. There is a high level of activity but no reconciliation had been carried out since June 2011.</li> </ul>	<p>Recommendations:</p> <ul style="list-style-type: none"> <li>◇ A review should be undertaken of the number of entries outstanding on Unpaid Bank Giro Credit Suspense (SZ0713-Z169) and thereafter regular (monthly or quarterly) reconciliations to be undertaken. <i>(Repeated in part from the last audit)</i></li> </ul>	<p><i>Recommendations accepted by management.</i></p> <p><i>The Business Support Team will monitor the suspense account on a monthly basis. Any unallocated amounts will be returned via the BACS system to the originator if funds cannot be allocated. A monthly report, to be supplied on the first Monday of each month has been requested from the finance team. Monitoring will start immediately.</i></p>

<u>Audit &amp; Opinion</u>	<u>Key Issues</u>	<u>Recommendations</u>	<u>Status</u>
<p>Housing Rents 4/0160.11</p> <p>Good</p>	<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>◇ There are three rent accounts subject to monthly reconciliation. A review of the records held on DIP shows the last reconciliations on file were up to month end March 2011. From discussions with debt control officers it was confirmed that the last reconciliations were actioned at week 13, i.e. June 2011.</li> <li>◇ It was brought to the auditor's attention that there have been problems with the interface between the cash and rents systems.</li> </ul>	<p>Recommendations:</p> <ul style="list-style-type: none"> <li>◇ Reconciliation of the three rent accounts should be brought up to date as soon as is practicable and thereafter promptly each month.</li> <li>◇ The payments interface process and the service agreement with Civica need to be reviewed as the reliance on one officer to fix errors when they occur places the authority at risk. In the short term all officers need to be reminded of the need to sign out of Civica each night.</li> </ul>	<p><i>Recommendations accepted by management.</i></p> <p><i>Refund &amp; Debit reconciliations are now up to date. Income account reconciliation is in progress. These will be maintained on a monthly basis.</i></p> <p><i>Instructions received from Civica which we can run to kill all users out the system prior to the cash jobs being run overnight – this would eliminate the problem &amp; the need for someone else with Unix skills to fix the problem. The 'job' was tested; however it didn't work exactly as we wanted. Spoke to him &amp; escalated it with the ICT Manager. Advised that he will speak to a contact he has with Unix skills and ask them to look into it further to resolve the issue.</i></p>
<p>Taxi Licensing 4/2112</p> <p>Good</p>	<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>◇ To date, the system employed has been that, on a monthly basis, the Licensing Clerk will prepare a form TAXI 43, attach a copy of the application form(s) and send it to Benefits section. They will return the top section of the form with a note as to whether or not anyone on the list is claiming benefits and whether they are subject to investigation. At the time of audit, no such confirmations were on file for the months of January and February 2011.</li> <li>◇ A revision of Hackney Carriage</li> </ul>	<p>Recommendations:</p> <ul style="list-style-type: none"> <li>◇ The top part of form TAXI 43, completed by Benefits Section, must always be filed with the original enquiry. Confirmation should be sought that this exercise was completed for the months of January and February 2011.</li> <li>◇ The Authority's web page</li> </ul>	<p><i>Recommendations accepted by management.</i></p> <p><i>Procedure failed following an internal restructure within the authority.</i></p> <p><i>Confirmations regarding Benefits vetting are now on the file and new procedures have been introduced to prevent this occurring again.</i></p> <p><i>Revised Fares are on</i></p>



<u>Audit &amp; Opinion</u>	<u>Key Issues</u>	<u>Recommendations</u>	<u>Status</u>
	<p>Tariffs was undertaken with the revised fares to be effective from 1<sup>st</sup> April 2011. However, the Authority's web-site has not been updated. It shows 'Hackney carriage (taxi) fares as from 14 April 2009' some detail of which is out of date.</p>	<p>headed 'Hackney Carriage and Private Vehicles – Fares for the Public' should be updated to show the current tariff effective 1<sup>st</sup> April 2011.</p>	<p><i>the Council Website. Next review due Q2 2012 financial year to be implemented in April 2013</i></p>
<p>Insurance 4/2530  <i>Satisfactory</i></p>	<p>Strengths:  <ul style="list-style-type: none"> <li>◇ The service is effectively administered although some risks need to be addressed.</li> </ul> <p>Weaknesses:  <ul style="list-style-type: none"> <li>◇ Total general property cover appearing on the policy schedule amounts to £32,557,382; however, the last Zurich produced insurance costing list showing individual properties and values totals £30,540,500, representing a difference of £2,016,882. Risk of incorrect insurance values being employed.</li> <li>◇ A contract arrangement has been entered into with Zurich for the Authority's insurances through to 2014. However, it appears that no contract document may have been prepared following the tendering exercise and Zurich's appointment, as no-one in the Authority has been able to produce this document.</li> <li>◇ The Computer Insurance Proposal Form confirms in section 8 that "all PCs are asset marked"; however, this cannot be regarded as a physical security measure, which is the basis of the insurance question. Present marking is in the form of an adhesive bar-coded label for internal identification purposes. It could easily be removed. Also, there is no longer any list of equipment linking to those labels. There is no etched or other indelible security marking.</li> </ul> </p> </p>	<p>Recommendations:  <ul style="list-style-type: none"> <li>◇ The individual general property values should be reconciled to the total sum insured under that section of the Zurich insurance policy. This should be achieved by requesting a detailed up to date schedule of general properties and values from the insurer.</li> <li>◇ The signed contract document (referred to as 'formal long term agreement documentation' in the Head of Service – Finance's letter to Zurich dated 7.10.09), relating to the current insurance arrangements with Zurich running from 2009-2014, should be completed, filed and indexed.</li> <li>◇ A review should be undertaken of assets of a portable nature; particularly computers (emphasis on laptops) to see whether they should receive some form of indelible security marking to safeguard against loss/ facilitate recovery after loss.</li> <li>◇ A full inventory of IT equipment should be prepared. <a href="#">The Constitution – Finance Procedure Rules – Part 4 – Rules of Procedure – Section 8. Inventories (d)</a> states "Responsibility for the inventory of all computer hardware and software shall lie with the Executive Director with s.151 responsibilities".</li> </ul> <p><i>(Repeated in amended form from</i></p> </p>	<p><i>Recommendations accepted by management. fao: Business Manager – Business Support. Clarification to be sought.</i></p> <p><i>fao: Business Manager – Business Support. This is in hand.</i></p> <p><i>fao: Business Manager – Business Support. Agreed. An overall revision will take place to explore the best systems. Necessary training will be given.</i></p>

<u>Audit &amp; Opinion</u>	<u>Key Issues</u>	<u>Recommendations</u>	<u>Status</u>
		<i>previous audit) January 2009.</i>	
Property Rentals 4/1100  <i>Unsatisfactory</i>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>◇ Management arrangements are in place but there is unacceptable risk in the processes carried out.</li> </ul> <p>Weaknesses:</p> <ul style="list-style-type: none"> <li>◇ The data masterfile is held on the Genero housing management system which should be updated whenever there is a change in tenant. However although the Genero system has been utilised since the last audit it has not been kept up to date and shows incorrect details for 3 of the 10 sampled units. (33% error rate)</li> <li>◇ Total debit for Ground &amp; Maintenance rents for 2011/12 = c£187k. A review of the outstanding amounts at 1/7/11 shows £68k outstanding for more than 90 days with £10k of this outstanding for over 12 months. An ongoing monitoring programme has not been sustained. This has already been identified by Housing and Revenues but there needs to be a structured monitoring and recovery system put in place a.s.a.p.</li> <li>◇ To ensure that all required documents are prepared and completed forms have been returned by the tenants a New Tenancy Checklist should be used. A review of the files shows that this has not always been used and for those seen in the files they had not all been fully completed.</li> </ul>	<p>Recommendations:</p> <ul style="list-style-type: none"> <li>◇ As this is 'business critical' a periodic review of Genero to tenancy/licence agreements should be undertaken to ensure that the database held on Genero has been updated whenever there is a change in the tenancy/licence agreement.</li> <li>◇ As this is 'business critical' A structured monitoring and arrears recovery programme needs to be developed to ensure that the arrears situation does not escalate leading to loss of income and increased write-offs. Where monthly or quarterly payments are agreed the invoice should be set up on COA with stage payments, to facilitate ease of monitoring, and tenants encouraged to pay by DD.</li> <li>◇ A progress sheet (currently titled 'New Tenancy Checklist') should be completed in full; in particular the issue and return dates for documents and information. Upon completion, the form should be checked for omissions before being placed in the appropriate industrial unit file.</li> </ul> <p><i>(Repeated from the last audit)</i></p>	<p><i>Recommendations accepted by management.</i></p> <p><i>A supervisor from Business Support Team has been allocated to assist the Asset Team to review, update and provide guidance on procedures and best practice.</i></p> <p><i>To be completed by end of March with an offer to provide a monthly meetings to resolve any emerging issues.</i></p> <p><i>Working Group involving Assets/Legal/Business Support and Revenues to meet in January to agree procedures and an action plan to maximise the recovery of old debts and to establish a procedure for minimising future arrears.</i></p> <p><i>Working Group involving Assets/Legal/Business Support/Community Support and Revenues to meet in January to agree revised procedures and responsibilities.</i></p>
Stores 4/4011  <i>Unsatisfactory</i>	<p>Strengths:</p> <ul style="list-style-type: none"> <li>◇ Management arrangements are in place but there is unacceptable risk in the processes carried out.</li> </ul> <p>Weaknesses:</p> <ul style="list-style-type: none"> <li>◇ The stock control sheets examined were not accurate e.g. some showed a minus stock as a result of new stock not being entered</li> </ul>	<p>Recommendations:</p> <ul style="list-style-type: none"> <li>◇ Stock Control Sheets should be updated promptly detailing all goods received and issued (even where received and</li> </ul>	<p><i>Recommendations accepted by management.</i></p> <p><i>A supervisor from Business Support Team has been allocated to assist the Asset Team at the</i></p>

<u>Audit &amp; Opinion</u>	<u>Key Issues</u>	<u>Recommendations</u>	<u>Status</u>
	<p>onto the record sheet. Stock was registered that did not appear on the last stock take in April 2011.</p> <p>◇ Works orders are no longer issued in respect of jobs. All works are loaded onto the Genero System which automatically allocates a specific job number. The works supervisors then allocate these job numbers to individual workers and this puts the details onto their hand held computerised units [PDA]. The workers then request stock from stores as and when required quoting the job numbers allocated using the goods requisition record. If required stock not held then for smaller items the worker obtains the stock direct from the supplier and for larger value items they request the works supervisors to order the required item. The workers do not sign for receipt of the goods they take from stores. At the time of issue the job numbers are not checked to see if the stock item is actually required for that job.</p> <p>◇ From a review of the stock control sheets [SCS] it was noted that there is no initial or signature or annotation to confirm that the amount quoted has been agreed to the actual stock held.</p> <p>A review of a sample of SCS's to the stock take showed discrepancies in 7 cases, a further 9 items had nothing recorded on the stock-take. The asset supervisor confirmed that the stock-take had merely been a count of items held and no attempt was made to agree this to the SCS's hence the discrepancies were not highlighted. It was further noted that 20 "24inch Grab Rails" were recorded twice on the stock take.</p>	<p>issued on the same day) so that a continuous audit trail is available for all stock. <i>(Repeated in essence from the last audit)</i></p> <p>◇ The issue of stock should be subject to a requisition duly signed &amp; authorised for each entry in the Stock Control Register. This could be evidenced by the recipient signing the goods requisition record.</p> <p>◇ When undertaking the annual stock check the actual stock should be agreed to the stock control sheets which should be annotated to show that the figure quoted agreed or detail any discrepancies. A new independent full stock take should be instigated and accurate stock control sheets prepared. Management should then review the level of discrepancies highlighted and, dependant on the level and value of these, investigate as necessary.</p>	<p><i>Vivars to review, update and provide guidance on procedures and best practice.</i></p> <p><i>To be completed by end of February with an offer to provide a monthly surgery/visit to resolve any emerging issues.</i></p> <p><i>A supervisor from Business Support Team has been allocated to assist the Asset Team at the Vivars to review, update and provide guidance on procedures and best practice.</i></p> <p><i>To be completed by end of February with an offer to provide a monthly surgery/visit to resolve any emerging issues.</i></p> <p><i>A supervisor from Business Support Team has been allocated to assist the Asset Team at the Vivars to carry out this work</i></p>

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>
Treasury Management 4/0200  Very Good	Strengths ◇ The service is effectively and efficiently administered.  Weaknesses ◇ No weaknesses.	Recommendations: ◇ Supervisor checks should be evident.	
Benefit Fraud 4/0155  Good	Strengths ◇ The service is effectively administered.  Weaknesses ◇ Minor weaknesses only.	Recommendations: ◇ Minor recommendations only.	<i>Recs' accepted by management.</i>
Vehicle Management 4/1380  Good	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  Good	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  Good/unsatisfactory	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></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</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,</i></p>

<u>Audit &amp; Opinion</u>	<u>Key Issues</u>	<u>Recommendations</u>	<u>Status</u>
	January 2011 commented upon the contract arrangements and 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.	completion of an appropriate document signed/sealed by both parties.	<i>contracts should be in place before 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>
Homelessness Accommodation 4/3040  <i>Very Good</i>	Strengths ◇ The service is effectively administered.  Weaknesses ◇ Supervisor checks on accommodation allocations are not documented.	Recommendations: ◇ Supervisor checks should be evident.	<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.

**Report Reference Number A/11/19**

**Agenda Item No: 8**

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**To:** Audit Committee  
**Date:** 18 April 2012  
**Author:** James Ingham; Head of Partnership, NYAP  
**Lead Officer:** Karen Iveson – Executive Director (S151)

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**Title:** Internal Audit Terms of Reference & Internal Audit Plan 2012/13

**Summary:** This report presents the Internal Audit Terms of Reference and Internal Audit Plan for 2012/13. The plan has been prepared by the North Yorkshire Audit Partnership and is attached as a supporting document.

**Recommendation:**

**It is recommended that the attached Terms of Reference and Internal Audit Plan for 2012/13 are approved.**

**Reasons for recommendation**

The Audit Committee has responsibility for overseeing the work of internal audit, and agreeing the plan of work to be undertaken on its behalf by the Council's Internal Auditors in line with good practice as set out in the CIPFA Code of Practice for Internal Audit in Local Government.

**1. Introduction and background**

- 1.1 The Accounts and Audit Regulations 2003 require all Councils to annually review their systems of internal control and to provide an adequate and effective Internal Audit function. This function has been provided by the North Yorkshire Audit Partnership to 31<sup>st</sup> March 2012, and from 1<sup>st</sup> April is provided by Veritau North Yorkshire. It is reinforced through clear Terms of Reference (ToR).
- 1.2 The Internal Audit plan is drafted annually, and is cyclical in nature. This plan has been allocated over a 3 yr cycle. Where the risk score of the activity is high, then the frequency of audit within the overall cycle is increased.

## **2. The Report**

- 2.1 The view of the Audit Commission who are the Council's external Auditors, is that the Terms of Reference should be reviewed annually. The inclusion of the Terms of reference in this report fulfils that requirement.
- 2.2 VNY work is in compliance with the Cipfa Code of Practice for Internal Audit in Local Government, (the CoP). That code, whilst it has no specific reference to a Vision and Charter does refer to the Audit working to approved Terms of Reference, and a Strategy, both of which are encompassed within this current Vision & Charter.
- 2.3 The Audit ToR are attached as Annex A which Members are asked to consider.
- 2.4 The Internal Audit plan has been drafted using the Partnership's risk assessment model. This model considers various aspects appertaining to activities within Selby DC and assesses the level of inherent risk. This then determines the relative frequency of audit.
- 2.5 The plan has a total value of 375 days in 2012/13 and that reduces in 2013/14 to 350 days and the plan is therefore constrained by that limit. The plan has been subject to appropriate consultation.
- 2.6 The plan is agreed between the Executive Director (s151) as the Council's s151 Officer and the Audit Partnership. In addition views are sought from Directors, Corporate Management Team, Access Selby Board, and Business managers. A copy is supplied to the council's external auditors for their opinion.
- 2.7 This wide consultation and review is to make sure that the plan is relevant and appropriate to the council's needs.
- 2.8 The view sought from the council's external auditors is appropriate to the continuing expectation that the Partnership works closely with them to minimise the cost of external audit by allowing them to be able to place reliance on the Partnership's audit plan and work in their assessment of the Council.
- 2.9 This does tend to distort the plan to a degree as they expect that we audit the material systems of the council on an annual basis. This drives part of the plan outwith the Partnership's risk assessment. Typically this work accounts for almost 40% of the annual plan.
- 2.10 With the creation of Access Selby the plan has had to be re-structured to try to reflect the changes that have happened and those that will follow. It should be born in mind that in such circumstances the plan must be seen as able to be adapted to changing needs during the year.



- 2.11 The plan is attached as Appendix B. Progress against the plan is reported to the Audit Committee on a regular basis, and the plan itself will be reviewed during the year to take cognisance of changes within the audit environment. This review will be reported to the Committee at its autumn meeting.
- 2.12 Completion of the approved plan assists in ensuring that the control environment is reviewed on a structured and logical basis.

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

#### **3.1 Legal Issues**

- 3.1.1 The provision of Internal Audit is a statutory requirement.
- 3.1.2 There is no direct linkage to the Council's Vision or Priorities, as internal audit is a support service, which provides internal control, and activity assurance to the Council's and Access Selby's managers on the operation of their services, and specifically to the Executive Director (s151) on financial systems.
- 3.1.3 Internal Audit examines all aspects of the Council's work and accordingly all the Council's Priorities.

#### **3.2 Financial Issues**

- 3.2.1 There are no financial implications, beyond the existing budget for Internal Audit and any additional work in respect of Risk Management, and special investigations.

### **4. Conclusion**

- 4.1 The ToR are attached as appendix A.
- 4.2 The Internal Audit plan has been drafted in consultation with the Executive Director (s151), in consultation with Access Selby managers, and others as outlined above, and taking cognisance of the External Auditor's opinion.
- 4.3 Therefore it represents an appropriate plan within the limitations of the budget for Internal Audit.

### **5. Background Documents**

None

**Contact Officer:**

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North Yorkshire Audit Partnership  
01723/232364  
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**Appendices:**

North Yorkshire Audit Partnership ~ Internal Audit Plan 2012/13 and subsequent years

**SELBY DISTRICT COUNCIL**

Internal Audit: provided by: - Veritau North Yorkshire

**INTERNAL AUDIT ~ TERMS of REFERENCE**

**1 REQUIREMENT FOR INTERNAL AUDIT**

**1.1 The Accounts and Audit Regulations (Regulation 6)**

Subsection (1) of these regulations specifically requires: -

*“A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its systems of internal control in accordance with proper practices in relation to internal control”*

Subsection (2) of the regulations specifically covers the rights of access to records and information and states: -

*“Any officer or member of that body shall, if the body requires: -*

- a) make available such documents of the body which relate to its accounting and other records as appear to that body to be necessary for the purpose of the audit; and,*
- b) supply the body with such information and explanation as that body considers necessary for that purpose.”*

**1.2 Vision**

Selby District Council requires, and demands, a high quality internal audit service which will provide an independent review of the Council's systems of internal control. The Internal Audit service will promote economy, efficiency and effectiveness.

**1.3 Provided by: -**

The Council entered into a Partnership Agreement with 4 other North Yorkshire District Councils to form the North Yorkshire Audit Partnership (NYAP).

The present Partnership Agreement ran to 31<sup>st</sup> March 2012 and the current arrangements are that the internal audit service at Selby will be provided by Veritau North Yorkshire (VNY).

The Council is part of VNY, a regulated company with the 4 other North Yorkshire District Councils which formed the North Yorkshire Audit Partnership (NYAP) and Veritau, the regulated company formed by North Yorkshire County Council and the City of York Council to create the regulated company Veritau North Yorkshire (VNY) which provides Internal Audit services to Selby, and the other 4 District Councils that comprised the former NYAP.

**2 TERMS OF REFERENCE**

**2.1 Responsibilities Internal Audit**

Internal Audit is responsible for examining, reviewing, appraising and reporting on:

- a) The extent to which the Council's assets and interest are accounted for and safeguarded from losses of all kinds arising from fraud and other

offences, waste, extravagance and inefficient administration or poor value for money.

b) The soundness, adequacy, reliability and application of internal controls.

c) The suitability and reliability of financial and other management data.

d) The supply of advice on risk management issues.

e) The regular review of the risk management process.

## **2.2 Objectives of Internal Audit**

The objectives of Internal Audit are to provide a high quality independent service to examine, review, appraise and report to the 'responsible officer' (S151 Officer) and the Audit & Governance Committee on the adequacy and effectiveness of components of the internal control systems (including accounting and financial systems).

The 'responsible officer' has been constituted by Section 151 of the Local Government Act 1972, with the role determined in detail by the Accounts and Audit Regulations of 2003. In this authority, the Head of Finance holds this role.

The aims of Internal Audit are to:

- ✓ promote good management of the Council's resources,
- ✓ give an assurance that the Council's services are managed with good financial sense and are provided in an economic, efficient and effective manner,
- ✓ bring about improvements in service delivery, and
- ✓ minimise incidents of irregularity, fraud and corruption.

## **2.3 Internal Audit within Selby District Council**

Internal Audit within Selby District Council is a continuous and effective Internal Audit operating in accordance with the CIPFA Code of Practice for Internal Audit in Local Government (2006) (the CoP) and International Standards of Auditing (Issued by the Auditing Practices Board).

## **2.4 Scope of Internal Audit Activity**

The scope of Internal Audit activity is accepted as the examination, review, appraisal, and reporting upon the:

- (i) soundness, adequacy and application of accounting and other relevant internal controls established for the proper administration of the Council's activities,
- (ii) extent of compliance with established policies, plans and procedures to ensure that good standards of financial management are maintained and that decisions taken by Council, Cabinet, Committees, and Management are correctly applied,
- (iii) extent to which the Council's assets and interests are properly accounted for and safeguarded from losses of all kinds,
- (iv) application of proper authorisation within the delegated authorities given by the various levels of management,
- (v) reliability of accounting and other data developed within the organisation and proper co-ordination between departments.

Internal Audit shall be available to assist any Chief Officer seeking advice on financial systems.

## **2.5 Rights of Access and Authority to Obtain Information**

The Financial Procedures Rules contained in the Constitution of the Council provide Internal Audit (via the appropriate Executive Director) with the authority to:

- (i) Enter at all reasonable times any Council controlled premises or land,
- (ii) Access, examine and retain for such a period as may be necessary all records, documents and correspondence relating to all financial and other transactions of the Council,
- (iii) Require and receive explanations as are necessary concerning any matter under examination,
- (iv) Require any employee or member of the Council to produce cash, stores or any other Council property under their control.

In the exercise of Internal Audit duties, the VNY Relationship Manager and the VNY Audit Manager shall have direct access to all Officers and Members including the Audit & Governance Committee.

## **3 AUDIT STANDARDS**

### **3.1 Performance of Duties**

The Internal Audit service will perform all duties with diligence, competence, care and skill and operate at a high level of professionalism. The service will act with integrity and independence, and fulfil all responsibilities with honesty, fairness and truthfulness.

### **3.2 Reporting Arrangement**

If it is appropriate, at the completion of an audit, whether planned or unplanned, a report will be prepared and distributed to the relevant Chief Officer(s), Head(s) of Service and selected staff.

The report shall contain findings, conclusions and recommendations. All recommendations will be monitored for both agreement for action and implementation.

The appropriate Access Selby Director shall receive a copy of all draft reports issued by Internal Audit.

It is proposed that where the substantive audit opinion is “unsatisfactory” or “unsound” the audit report will be considered by the Council’s Directors Management Team.

Internal Audit will report regularly to the Audit Committee on progress against the audit plan, and present the results of the audit work to the committee.

The Audit Committee are considering establishing that where an Audit Report (at either Draft or Final stage) results in an audit opinion of “unsatisfactory” or “unsound” that the relevant line manager(s) will attend the next Audit & Governance Committee

It will also provide an annual report to the committee presenting an opinion on the Internal Control Framework which will support the Annual Governance Statement.

The targets for report production are:

Draft report is to be issued within 10 working days of the completion of the fieldwork and the final report is to be issued within 10 working days of the agreement of the draft report.

### **3.3 Ethical Standards**

The ethical standards issued by all of the accountancy and audit bodies are relevant to the work of Internal Audit. Individual auditors should follow the ethical statements issued by the professional bodies of which they are members. Internal Audit subscribes in particular to the ethical standards provided by CIPFA and members of the service will be judged on the basis of those standards. Where there is a conflict of standards, the CIPFA standard has been accepted by this charter to prevail.

### **3.4 Disclosure of Information**

Internal Audit will reveal to appropriate responsible parties who are in a position to deal with such matters (e.g. the police) all material facts established, which if not so revealed may prevent the uncovering of unlawful acts or could distort audit reports. The passing of this information would be treated as confidential and privileged. Inappropriate disclosure of information by Internal Audit will be a contravention of the Data Protection Acts.

## **4 FRAUD & CORRUPTION**

### **4.1 Procedure when Fraud & Corruption are suspected**

Where any officer has cause to suspect fraud and corruption, the appropriate Executive Director shall immediately be informed. The Executive Director will arrange for facilities for investigation to be provided. Should it be found that an irregularity (or fraud and corruption) has occurred or is occurring, it shall be the duty of the appropriate Executive Director to inform the Chief Executive who will inform the Leader of the Council.

## **5 AUDIT MANUAL**

### **5.1 Guidance**

The Audit Manual is reviewed and revised in accordance with the latest CoP produced by CIPFA. The purpose of an Audit Manual is to provide guidance to the individual auditors covering planning, controlling and recording of audits; evaluation of internal control systems; evidence gathering, reporting and follow up. It is an important tool for the Internal Audit service and forms an integral part of this Audit Charter.

## **6 REVIEW OF INTERNAL AUDIT PERFORMANCE**

### **6.1 Review**

Internal Audit and VNY are no longer subject to a formal periodic review by the Council's External Auditor, in order to assess the adequacy, effectiveness and efficiency of the service. This is replaced by the mandatory Accounts & Audit Regulation 6 review.

However the external auditors will always be mindful of the quality and depth of Internal Audit work, which will affect their work too. Relevant comments may be made by the External Auditors in their reports to Elected Members.

The Council is required by Regulation 6 of the Accounts & Audit Regulations to undertake an annual Review of the Effectiveness its Internal Audit; and furthermore that this review must be considered by a Committee of the body, which for Selby is the Audit Committee. The Audit Committee also considers and approves the Annual Governance Statement (AGS), and this Regulation 6 review forms an important component of the AGS.

Internal Audit also reports annually to Members of the Audit Committee on its performance against the Annual Internal Audit Plan.

### **6.2 Continuous Improvement**

Internal Audit is fully committed to the continuous improvement of its activities and is actively looking to improve the quality of service. In this respect all clients of the service are invited to complete an annual survey, based around the Cipfa CoP (part of the Annual Review of Effectiveness) and comment upon the performance of the service.

The Board of VNY has the S151 Officers from each of the 5 District Councils as Board members to provide a similar level of oversight, scrutiny, and direction of the service provided.

In order to ensure that Internal Audit does achieve its vision of continuous improvement the VNY will:

1. Continue consultation with the Council and its stakeholders to ensure that their requirements are taken into account;
2. Have in place a performance management system which will ensure that a quality service is delivered;
3. Adopt any new audit techniques, providing they are appropriate, relevant, and "add value", as they occur;
4. Continue to invest in training and development of staff to keep their skills up to date.

## NORTH YORKSHIRE AUDIT PARTNERSHIP

SELBY DISTRICT COUNCIL INTERNAL AUDIT PLAN 2012/13 to 2014/15 COUNCIL ~ CORE SELBY		2012/13 days	2013/14 days	2014/15 days
41080	Members Allowances	8	0	0
41125	Elections	0	4	0
		<b>8</b>	<b>4</b>	<b>0</b>
<b>ACCESS SELBY</b>				
<b>Managing Director (MS)</b>				
	The Business (Horizon Scanning, Strategy, Business Growth, governance, Finance)	12	0	12
<b>Director of Community Services (KD)</b>				
Business Manager (DR)				
<b>40160</b>	<b>Housing Rents</b>	12	12	12
41050	Health & Safety (incl. Corporate Manslaughter)	0	10	0
42050	Car Parks	0	6	0
43040	Homelessness Accommodation	0	0	8
43060	Housing Improvement Grants ( Disabled Adapt)	8	0	0
43070	Sheltered Accommodation, Warden Scheme	7	0	0
43580	Grants - General	0	0	0
		<b>27</b>	<b>28</b>	<b>20</b>
Business Manager (DJ)				
<b>40110</b>	<b>Council Tax/NNDR</b>	15	15	15
<b>40130</b>	<b>Debtors inc Legal Debt Recovery</b>	12	12	12
<b>40150</b>	<b>Housing Benefits</b>	15	15	15
40155	Benefit fraud inc NFI	0	0	8
42140	Development Control	10	0	0
48000	ICT	12	12	12
		<b>64</b>	<b>54</b>	<b>62</b>
Business Manager (ES)				
41055	Civil Contingencies Act (Business Continuity)	10	0	0
41075	Land Sales	10	0	0
41100	Property Rentals inc Industrial Units	0	0	9
41190	Asset Management	0	8	0
41380	Vehicle Management	0	0	10
42060	Closed Burial Grounds	7	0	0
<b>43050</b>	<b>Council House Repairs</b>	8	8	8
44011	Stores	0	0	10
		<b>35</b>	<b>16</b>	<b>37</b>



SELBY DISTRICT COUNCIL		2012/13	2013/14	2014/15
INTERNAL AUDIT PLAN 2012/13 to 2014/15		days	days	days
<b>Director of Business Services (JB)</b>				
Business Manager (SS)				
<b>40120</b>	<b>Creditors &amp; e-procurement, purchase cards</b>	15	15	15
<b>40140</b>	<b>General Ledger + Bank Reconciliations</b>	12	12	12
<b>40170</b>	<b>Income System inc Access Selby</b>	10	10	10
<b>40190</b>	<b>Payroll</b>	12	12	12
<b>40200</b>	<b>Treasury Mgt</b>	10	10	10
41081	Officers Allowances	8	0	0
41090	HR, Personnel & Training; incl. Agency Staff & Consultants	0	10	0
41093	Equalities	10	0	0
41095	Partnership Arrangements	15	15	15
	- Enterprise (waste, parks)			
	- Wigan (leisure, Car Parking management)			
	- East Riding Yorkshire Council			
	- Procurement Partnership			
	- NYBCP etc			
41665	Internal CCTV (SyDC)	0	5	0
41670	Community CCTV	0	7	0
42130	Pest Control	0	0	8
42530	Insurance	0	0	8
<b>42550</b>	<b>Tax Management</b>	8	8	8
43610	Sports Development	0	7	0
		<b>100</b>	<b>111</b>	<b>98</b>
Business Manager (EW)				
<b>41085</b>	<b>Performance Management/Data Quality</b>	8	8	8
41150	Telephones	8	0	0
41510	Maintenance & Security of Council Buildings	0	8	0
42110	Licensing	0	8	0
<b>42520</b>	<b>Capital A/C</b>	8	8	8
		<b>24</b>	<b>32</b>	<b>16</b>
<b><u>Value Added &amp; Technical (VAT)</u></b>				
	Corporate Issues; e.g.			
	Implementation of New Legislation	15	15	15
	- Localism Act/Community Infrastructure Levy			
	- New Homes Bonus (Grant)			
48910	Capital Contracts - Final A/C's, Fin App	3	3	3
48988	Business Transformation/AS Business Plan	15	15	15
	Follow-Ups	10	10	10
	Contingency	15	15	15
		<b>58</b>	<b>58</b>	<b>58</b>

SELBY DISTRICT COUNCIL		2012/13	2013/14	2014/15
INTERNAL AUDIT PLAN 2012/13 to 2014/15		days	days	days
	Counter Fraud	15	15	15
	- Housing Tenancy Fraud, Theft of Assets, Expenses,			
	- Creditors, Insurance Claims, Procurement, - HR			
<b><u>Client Support &amp; Advice (CSA)</u></b>				
	External Auditor Liaison	5	5	5
	Client Overheads	25	25	25
49045	- Audit Committee (4-5 times pa)			
	- Access Selby Board			
49046	- Reg 6 Review & AGS			
49046	- AGS review and action Plan f/u			
49045	- Annual Internal Audit Report			
	Misc Advice	2	2	2
		<b>32</b>	<b>32</b>	<b>32</b>
		<b>375</b>	<b>350</b>	<b>350</b>

**To:** Audit Committee  
**Date:** 18 April 2012  
**Author:** James Ingham; Head of Partnership, NYAP  
**Lead Officer:** Karen Iveson – Executive Director (S151)

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**Title:** **Accounts & Audit Regulation: Reg. 6 Review of the Effectiveness of Internal Audit**

**Summary:** This report presents the Annual Review of the effectiveness of its internal audit as required by the Accounts & Audit Regulations: Reg. 6 from the North Yorkshire Audit Partnership for approval.

**Recommendation:**

**It is recommended that the attached report 2011/12 is approved.**

**Reasons for recommendation**

The Audit Committee has responsibility for overseeing the work of internal audit, and complying with the Accounts & Audit Regulations in respect of Internal Audit.

**1. Introduction and background**

- 1.1 The Accounts and Audit Regulations 2003 require all Councils to annually review their systems of internal control and to provide an adequate and effective Internal Audit function.
- 1.2 In March 2011 the Accounts and Audit Regulations were amended with the revised requirement to undertake an annual review of the effectiveness of its Internal Audit (formerly "...the system of Internal Audit") on an annual basis. The amendment to Regulation 6 is as follows:

- 6(3) "The relevant body shall, at least once in each year, conduct a review of the effectiveness of its internal audit."

6(4) “The findings of the review ‘...shall be considered, as part of the consideration of the system of internal control by the (relevant) committee’...”

- 1.3 The Audit Committee is the body to receive these reports.
- 1.4 The Report, detailed in Appendix A, sets out the methodology applied and the results of the work.
- 1.5 At present there is only limited formal guidance. This will evolve as will an opinion from the Council’s external auditors who will consider this report as part of their work examining the validity of the Council’s AGS (Annual Governance Statement).
- 1.6 This report highlights issues that the self-assessment, the manager, and audit committee member surveys identify. It forms an important part of the overall control framework, and is a component of the Annual Governance Statement.
- 1.7 The report detailed in appendix A, provides an assurance that the internal audit service provided through the partnership does, indeed, meet the criteria for an effective system of internal audit. It is not a ‘carte blanche’ but a balanced judgement.
- 1.8 The annual report to the committee in June will complete the review, as it will include the key performance indicators.
- 1.9 The report highlights a clear statement of assurance by the North Yorkshire Audit Partnership regarding the adequacy and effectiveness of the internal control system.

## **2. The Report**

- 2.1 The review provides an overall opinion and assurance that the System of Internal Audit and provision of Internal Audit in Selby DC during 2011/12 must be considered as effective.
- 2.2 The self-assessment undertaken indicates that the service provided by the Partnership meets practically all the aspects of the Cipfa code.
- 2.3 For 2011/12 we also sent the survey to members of the Audit Committee to seek their views. Whilst the questions have been framed slightly differently we have retained their alignment with the officer questionnaire, and have therefore combined the results to give an overall view from both officers and audit committee members.
- 2.4 The results of the manager survey (9 responses from 12 invitations), and the member survey (1 response from 9 invitations) are attached as Appendix 1. They indicate that overall there is a high level of satisfaction and by logical extension, effectiveness.

- 2.5 The results of the survey indicate an overall assessment of effectiveness scoring 99% at the median or above for the assessment ~ (93% 2010/11; 96% 2009/10; 99% 2008/09; 98% 2007/08; 100% 2006/07).
- 2.6 However the previous downward trend in the score for approval in the top two categories has reversed rising this year from 59% to 76% and passing the previous years (2009/10) score of from 65%. (65% 2009/10; 59% 2010/11; 76% 2011/12).
- 2.7 Arising from the discussions already taken place there is a real demand, and need, for the IA service to recognise that the whole environment within which the Council is working has changed and will continue to change for the foreseeable future. This will require a different 'mindset' for the audit service, looking wherever possible to reduce and eliminate unnecessary controls, yet retaining a secure internal control environment.
- 2.8 The Audit Partnership is looking to undertake appropriate training and development to ensure it is well placed to secure work with the Council (both Core Selby and Access Selby) over the longer term, by providing a cost effective audit that is seen to be capable of, and does deliver, 'added value' to both the Council and Access Selby.
- 2.9 The low score for 'involvement of Internal Audit with new and developing projects' is a perennial issue and is consistent with results at other councils, notably at District level. However the Partnership does not have the ability to merely impose itself, it must be invited, and senior managers have a responsibility to promote the involvement of internal audit.

### **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, beyond the existing budget for Internal Audit and any additional work in respect of Risk Management, and special investigations.

### **4. Conclusion**

- 4.1 The review provides an overall opinion and assurance that the System of Internal Audit and provision of Internal Audit in Selby DC during 2011/12 must be considered as effective.
- 4.2 The self-assessment undertaken indicates that the service provided by the Partnership meets practically all the aspects of the Cipfa code.

4.3 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**

None

### **Contact Officer:**

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### **Appendices:**

North Yorkshire Audit Partnership report: - Accounts & Audit regulation 6 report ~ Review of the Effectiveness of Internal Audit

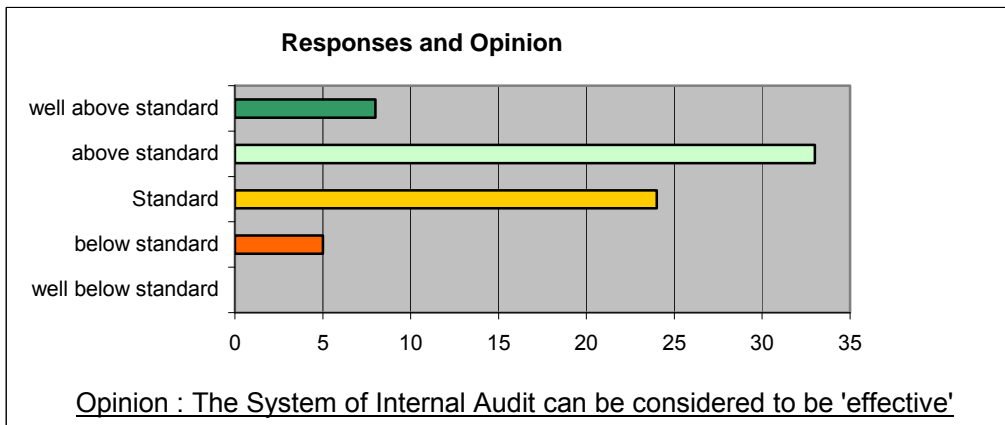


Independent Assurance

# Internal Audit Report



## Selby District Council Accounts & Audit regulation 6 Review of the Effectiveness of Internal Audit March 2011



Auditor : James Ingham CPFA

Circulation list: Members Audit Committee  
Chief Executive  
Executive Director (s151)

## **SUBJECT: REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT 2011/12**

### **1. Introduction**

- 1.1 The Accounts and Audit Regulations require all Councils to annually review their systems of Internal Control and to provide an adequate and effective Internal Audit function.
- 1.2 The regulations were revised with the issue of circular SI 817/2011. This required, inter alia, that the council undertake an annual review of the effectiveness of its internal audit, and to present the results of that review to the appropriate committee.
- 1.3 It has been established that the Audit Committee of the Council receive reports on the Annual Governance Statement (AGS), and associated matters. Therefore it is the appropriate body to receive, consider, review, and approve the report on the Review of Effectiveness of Internal Audit.

### **2. Background and Issues**

- 2.1 Internal audit at the Council is provided through the North Yorkshire Audit Partnership (NYAP) who provide the internal audit function.
- 2.2 The Partnership team comprises of the Head of Partnership, with Audit Managers, and audit staff.
- 2.3 The Partnership works principally with the Executive Director (s151) and in 2011/12 provided a planned audit service to the council. The Internal Audit plan comprised 400 days.
- 2.4 Additional to that plan is a provision of 'up to 35 days' to provide support to the Council's Risk Management processes.
- 2.5 The Partnership works to the Cipfa Code of Practice for Internal Audit in Local Government (the CoP). The code has been reviewed and revised with the latest version issued in December 2006.
- 2.6 Cipfa have issued a guide to the "Role of the Head of IA" and they have issued further guidance for the application to Local Government. We have undertaken a preliminary self-assessment against the principles contained therein. Initial consideration of the results suggests that the Partnership meets the core principles contained in the guidance.
- 2.7 The code defines internal audit as: -

Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

*The control environment is defined as comprising the systems of governance, risk management, and internal control.*

- 2.8 The code sets out 11 standards for internal audit.
- 2.9 Of the 11 standards one is Performance and effectiveness. The remaining 10 relate to audit management, audit process, and audit relationships within the organisation.
  - a) Audit Mgt Independence; Ethics; Staffing Training & CPD;
  - b) Audit Process Scope; Audit Strategy & Planning; Undertaking audit work; Due Professional Care; Reporting



c) Audit Relationships Audit Committees; Relationships;

- 2.10 The code does try to define an effective internal audit, as being one which should 'aspire to' the following: -
- understand the whole organisation, its needs and objectives;
  - understand its position in respect to the organisation's other sources of assurance and plan its work accordingly;
  - be seen as a catalyst for change at the heart of the organisation;
  - add value and assist the organisation in achieving its objectives;
  - be forward looking – knowing where the organisation wishes to be and aware of the national agenda and its impact;
  - be innovative and challenging;
  - help to shape the ethics and standards of the organisation;
  - ensure the right resources are available – recognising that the skills mix, capacity, specialisms and qualifications/experience requirements all change constantly;
  - share best practice with other auditors;
  - seek opportunities for joint working with other organisations' auditors.
- 2.11 An assessment of the position of the Partnership internal audit in respect of these aspirational effectiveness criteria is set out in Appendix 2.
- 2.12 With this background the issue is to determine what a Review of Effectiveness (RoE) is, and how it should be undertaken.
- 2.13 Guidance has been issued by the CLG that is non-prescriptive. It therefore leaves councils to determine their own methodology. As the review has to be reported to the council (normally the Audit committee or equivalent) the scrutiny will be there and through the external auditor's review of the AGS.
- 2.14 The RoE review is annual, and the regulation does not specify a fiscal year. Therefore the review has been undertaken between Feb and March to avoid adding further to the year-end maelstrom of tasks.
- 2.15 Cipfa have now prepared some guidance to practitioners through its Audit Panel and this has been considered in the preparation for and the execution of the review.
- 2.16 This review has focused on the Internal Audit function rather than take a much wider view that is espoused by some, to include the overall control framework, and the Audit Committee itself. This year, though, we have surveyed the members of the Audit committee to broaden the range of views received.
- 2.17 The general consensus is that until custom and practices have evolved further then a practical way of exercising this RoE is to undertake a self-assessment against the Cipfa code, and to undertake a survey of Directors and Heads of Service and Service Managers of Access Selby to determine their opinion of the effectiveness of the system of internal audit.
- 2.18 For the 2011/12 review we have continued with three-strand approach already established. Firstly to review the self-assessment undertaken, and primarily to consider what action has been taken to resolve the points arising, which were endorsed by the Audit Committee. Secondly we will re-perform the survey to see if there has been any material change in opinion over the intervening period and thirdly to note the performance of the internal audit team, in 2011/12 as reported to the Committee.
- 2.19 Cipfa have now issued a draft guide on the role of the Head of Internal Audit (HoIA) in local government. We have undertaken a preliminary self-assessment against the principles in the guidance. Initial consideration of the results suggests that the Partnership meets the core principles contained in the guidance, and is effectively fulfilling the role.

- 2.20 The self-assessment completed highlighted specific areas where there could be improvement which were: -
- Encouraging greater inclusion of internal audit with new and developing projects.
    - ↳ *This has been an issue in all the surveys undertaken to date. There are some signs of an increasing acceptance that Internal Audit can play a valuable role with new projects and a gradual increase in the invitations to participate.*
    - ↳ *However the results of the 2011/12 survey continue to point this up as a weaker area. The Audit Partnership relies upon senior managers inviting Internal Audit to their project teams. Internal Audit does not have the right to impose itself.*
- 2.21 The results of the manager survey (9 responses from 12 invitations), and the member survey (1 response from 9 invitations) are attached as Appendix 1. They indicate that overall there is a high level of satisfaction and by logical extension, effectiveness. Comments that were made are appended too.
- 2.22 One area that has a low 'score' is the involvement of internal audit with 'new and developing projects'. Clearly this is an area where internal audit need to be invited to participate. We would hope that your heads of service and project managers agree to consider this in future.
- 2.23 A second area, and perhaps of some concern is the view expressed by respondents that the audits did not give a better understanding of control systems and risks in their service areas. This will be taken up as a general point for the Partnership to improve the quality of the audit and associated reports issued.
- 2.24 From discussions that have already taken place there is a real demand, and need, for the IA service to recognise that the whole environment within which the Council is working has changed and will continue to change for the foreseeable future. This will require a different 'mindset' for the audit service, looking wherever possible to reduce and eliminate unnecessary controls, yet retaining a secure internal control environment.
- 2.25 The work that it does on the main systems to provide assurance to the council and external auditors must be a core focus, and the remaining audit plan will need to be reviewed with the new 'mindset' in place. Recognising that Access Selby will be operating on a semi-commercial basis with the Council will require that audit work for Access Selby understands their new way of working. This will be particularly important to allow Access Selby to develop whilst reducing its cost base, and part of that cost base will be the cost of controls.

### **3. Consultation**

- 3.1 Views have been sought from the Audit Commission. the Council's appointed external auditors, who will, through their review of the AGS will also take this RoE review into account. However, as they will undertake that role, there is, understandably reluctance on their part to give definite guidance or opinion.
- 3.2 Opinions have also been sought within the North Yorkshire Chief Internal Auditors Group and the current collective view is not consensual. This is no doubt because established custom has yet to evolve for this required review.

### **4. Assessment and Conclusion**

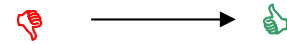
- 4.1 The review provides an overall opinion and assurance that the System of Internal Audit as defined above can be considered as effective.

- 4.2 Issues identified last year in the self assessment have been taken into consideration and will be actively pursued in this year.
- 4.3 Performance, must be judged as satisfactory.
- 4.4 The results of the survey indicate an overall assessment of effectiveness scoring 99% at the median or above for the assessment ~ (93% 2010/11; 96% 2009/10; 99% 2008/09; 98% 2007/08; 100% 2006/07).
- 4.5 However the previous downward trend in the score for approval in the top two categories has reversed rising this year from 59% to 76% and passing the previous years (2009/10) score of from 65%. (65% 2009/10; 59% 2010/11; 76% 2011/12).
- 4.6 Arising from the discussions already taken place there is a real demand, and need, for the IA service to recognise that the whole environment within which the Council is working has changed and will continue to change for the foreseeable future. This will require a different 'mindset' for the audit service, looking wherever possible to reduce and eliminate unnecessary controls, yet retaining a secure internal control environment.
- 4.7 The work that it does on the main systems to provide assurance to the council and external auditors must be a core focus, and the remaining audit plan will need to be reviewed with the new 'mindset' in place. Recognising that Access Selby will be operating on a semi-commercial basis with the Council will require that audit work for Access Selby understands their new way of working. This will be particularly important to allow Access Selby to develop whilst reducing its cost base, and part of that cost base will be the cost of controls.
- 4.8 Audit has a responsibility to assist Access Selby by identifying surplus and redundant controls, without losing sight of the residual need for Access Selby to operate a sound internal control framework.
- 4.9 The Audit Partnership is looking to undertake appropriate training and development to ensure it is well placed to secure work with Access Selby over the longer term, by providing a cost effective audit that is seen to be capable of, and does deliver, 'added value' to Access Selby .
- 4.10 The survey results do, however, point up some weak areas, though not significant, to do with the relevance of IA, did it 'add value or assurance'; looking at risk areas adequately. The Partnership, by undertaking this critical self-assessment and changing its 'mindset' expects to reverse those weaker results.
- 4.11 The low score for 'involvement of Internal Audit with new and developing projects' is a perennial issue and is consistent with results at other councils, notably at District level. However the Partnership does not have the ability to merely impose itself, it must be invited, and senior managers have a responsibility to promote the involvement of internal audit.

# Selby District Council 2011/12

[12 survey forms sent out to managers, 9 responses]

[9 survey forms sent out to members of the audit Committee; 1 response]



1. Did we involve you sufficiently in setting the internal audit plan?
2. Was the Internal Audit (IA) approach professional, in terms of making arrangements, undertaking the audit, and working with your staff?
3. Was the audit report format in a style that you found clear, and easy to understand?
4. Did the audits and their reports raise concerns over control systems clearly and concisely?
5. Were the audits relevant and add assurance or value?
6. Did the audits give you a better knowledge and understanding of control systems and risk in your service areas?
7. Do you consider that the audits looked at your risk areas adequately?
8. Do you consider that we were sufficiently involved with your new and developing projects?
9. Has the contribution of IA given you enough assurance for the Annual Governance Statement?
10. In your considered opinion, has IA been 'effective'?

		1	8	1	
			8	2	
		1	8	1	
		2	7	1	
		3	6	1	
		4	5	1	
	1	3	4	2	
		6	3	1	
			8	2	
		2	7	1	
	Totals	1	22	64	13
	Percentages	1	22	64	13

Figures in brackets are prior year results:-  
(2010/11; 2009/10; 2008/09; 2007/08; 2006/07)

77%
(59; 65; 93; 88; 96)
99%
(93; 96; 99; 98; 100)

Selby DC ~ 2011/12 Reg 6 review ~ comments

Who	What they said	What we say....
Rose Norris	I find the working relationship with the team to be very positive and constructive. The reports have helped us move forward on areas where our delivery partners needed to tighten up on plans and processes.	
Janette Barlow	Overall satisfaction with the level of service received. Going forward I would like to see higher levels of integration with service reviews – identifying control systems/ risks as projects develop – something I know is being worked up as part of the future work programme.	
Jonathon Lund	I think a number of officers at SDC have been making the point that IA does need to develop its ability to critically assess systems of internal control from the point of view of recommending safe reductions in process as well as additional measures. It would be refreshing, for example, to see an IA report that recommended four new controls to replace nine existing controls.	
Karen Iveson	I have fed back on individual audits and at our monthly management meetings and have nothing further to add beyond those issues highlighted previously	These comments have been noted, and incorporated into the Internal Audit plan; audit brief and scoping; audits; and audit reporting.
Mark Steward	Need to continue to develop risk based approach to Audit Programme, Scope of specific Audits and to response from officers. N.B This requires equal commitment from IA and Managers	
Keith Dawson	No comment	
Martin Connor	No comment	
Cllr C Mackman	Only been on audit a short while, reports are useful and informative. However not clear how often audits undertaken, feel some areas when 'unsatisfactory' is quoted then should be reported again before due to ensure improvements taking place. (copied from scanned return)	Audits are undertaken on a programmed cycle, based upon a risk methodology. There are 'follow up' processes in place to provide assurance to senior management and members that agreed recommendations have been, or are being, implemented. Poor audit results and systems are factored into the risk methodology.
Dylan Jones	No comment	
Eileen Scothern	No comment	



## CIPFA CoP –Characteristics of Effectiveness that an effective Internal Audit should aspire to:-

Characteristic of 'effectiveness'	Evidence of achievement	Areas for development
Understand the whole organisation, its needs and objectives.	<p>The audit plan demonstrates how audit work will provide assurance in relation to the authority's Activities (and so indirectly to the objectives).</p> <p>Individual audit assignments identify risks to the achievement of those activities (and so indirectly to the objectives of the Council).</p>	<p>Take greater account of the Council's Strategic Programme when formulating the annual audit plan.</p> <p>Work closely with Access Selby to develop an I A plan which works with Access Selby and is therefore jointly 'owned'.</p>
Understand its position in respect to the organisation's other sources of assurance and plan its work accordingly.	Internal audit identifies other sources of assurance and takes this into account when preparing the internal audit plan.	Monitor and improve the IA governance and assurance arrangements where there are joint service delivery arrangements, e.g. payroll.
Be seen as a catalyst for change at the heart of the organisation.	<p>Supportive role of audit for corporate developments such as corporate governance review, risk management and ethics.</p> <p>Supportive role of audit for individual projects may be catalyst for change.</p>	<p>Selling the message of the benefits of IA involvement to line management.</p> <p>Controls assurance and the AGS / assurance statement.</p> <p>Identified need to extend the role of IA in new and developing projects. IA's role is to support new projects bringing its particular expertise into the projects. Management's role is to bring IA into their projects.</p>
Add value and assist the organisation in achieving its objectives.	Demonstrated through individual audit assignments and also corporate work.	<p>Identified need to extend the role of IA in new and developing projects.</p> <p>This will be achieved by focussing on the control environment to develop leaner control systems without losing sight of the broader need to have an effective framework of assurance across both Core Selby and Access Selby.</p>
Be forward looking – knowing where the organisation wishes to be and aware of the national agenda and its impact.	<p>When identifying risks and in formulating the plan changes on the national agenda are considered.</p> <p>The Partnership maintains awareness of new developments in the services it audits, risk management and corporate governance.</p>	<p>Internal Audit will maintain awareness of new developments in the services it audits, risk management and corporate governance.</p> <p>Internal audit will focus on undertaking work that can be seen to "add value" to the Council's activities. This does, though include performing audits on areas where management do not perceive a</p>

Characteristic of 'effectiveness'	Evidence of achievement	Areas for development
		problem to provide continuing assurance that systems are working as intended and within a secure operating environment.
Be innovative and challenging	Internal audit has taken a positive approach to its reporting arrangements by focusing on risks, and using a brief, illustrative report style. The report format has been reviewed; and the format and audit opinion descriptors were re-defined for 2011/12.	See above.
Help to shape the ethics and standards of the organisation.	Currently involved in working to develop shared services.	Involvement by IA in the review of policies
Ensure the right resources are available – recognising that the skills mix, capacity, specialism and qualifications/experience requirements all change constantly.	Arrangements are in place to review the future need for external specialist input on IT audit.	May need to consider an audit needs analysis and be aware of any difference between ideal and cost driven resources.
Share best practice with other auditors.	NYCIA and benchmarking groups. Team briefings. Personal links with auditors elsewhere.	We are now developing some joint training seminars.
Seek opportunities for joint working with other organisation's auditors.	Always a consideration. NYAP exists, and the current NYAP Partnership Agreement runs to 31 <sup>st</sup> March 2012. From 1 <sup>st</sup> April the Internal Audit service will be provided by Veritau North Yorkshire. Joint working now includes 5 of the 7 NY Districts, leaving only the Harrogate and Craven, the other two district councils.	Bringing Harrogate & Craven DCs into the company.



**To:** Audit Committee  
**Date:** 17 April 2012  
**Author:** Richard Besley, Democratic Services Officer  
**Lead Officer:** Karen Iveson, Executive Director (S151)

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**Title:** Audit Committee Annual Report

**Summary:** The report provides an update on the work of the Audit Committee for 2011/12.

**Recommendation:**

**To note the Annual Report submitted by the Chair of the Audit Committee.**

**Reason for recommendation**

The Committee ensures the contribution of Audit is effective in supporting service improvement and delivery against district wide and Council priorities.

**1. Introduction and background**

**1.1** During the past 12 months the Policy Review Committee has met on four occasions, working with the North Yorkshire Audit Partnership scrutinising the work of Selby District Council and identifying and analysing risks to the Authority and its structure.

**1.2** The Annual Report (Appendix A) provides an update on the topics scrutinised and the work of the committee.

**2. The Report**

**2.1** There have been Risk Registers for the Council as well as those for the new arms of service delivery and community engagement, Access Selby and Communities Selby for the committee to consider as well as Audit reports for Service Areas and the reports and statements from the Audit Commission.

**2.2** In January the Committee called-in three Audit reports for service areas that had been identified as unsatisfactory.

### **3. Conclusion**

The committee agrees that the information submitted in the Annual Report is accurate and recommend the report to go to Full Council.

**Contact Officer:** *Richard Besley*  
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*Selby District Council*  
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#### **Appendices:**

Appendix A – Annual Report 2011/12 Document

**Selby District Council**

**AUDIT COMMITTEE**  
**ANNUAL REPORT**  
**2011/2012**

## **Introduction by Councillor Elizabeth Casling - Chair of the Audit Committee**

I am pleased to present the Audit Committee Annual Report 2011/12.

This is the first year under the Executive Model and the first year under the Council's new Organisational Structure. The overall responsibility for the Committee is to scrutinise and monitor the Council's control systems, procedures and risk management systems. As Chair of the Committee I provided a report to each Council meeting highlighting the Committee's work.

The Audit Committee met four times in 2011/12 and considered a range of different issues. The Committee's Work Programme was contributed to by the North Yorkshire Audit Partnership (NYAP) as well as Councillors and ensured focus on the priorities of the Council and the concerns of local people.

The review of Audit Commission reports of Selby District Council and NYAP Audit reports of Council services were included on the Work Programme.

I would like to thank all Councillors of the Audit Committee for their support and continued hard work. Many people have contributed to the success of Audit, including officers, external partner organisations and my thanks goes out to all of them.

I look forward to the continuing progress of Audit in 2012/13.

Membership of the Audit Committee:

9 Members

<b>Conservative</b>	<b>Labour</b>	<b>Independent</b>
E Casling (Chair)	J Crawford	M McCartney
C Mackman (Vice Chair)	R Packham	
J Cattanach		
M Dyson		
I Nutt		
I Reynolds		

### **Support**

Richard Besley, Democratic Service Officer provided the main support to the Committee:

## **THE WORK OF AUDIT COMMITTEE IN 2011/12**

The Audit Committee reviews:

- the statutory financial statements of the Council and Annual Governance Statement;
- reports made on Selby District Council by the Audit Commission (External Audit);
- work of the NYAP (Internal Audit);
- the financial strategy of Selby District Council;
- other issues falling within the Council's control and risk management framework.

### **AUDIT COMMISSION**

As the external auditor for the Council the Commission undertakes reviews of the Council's procedures and controls and reports their findings. These reports are then scrutinised by the Audit Committee.

These were the Commission's reviews before the Committee in 2011/12.

#### **1. Audit Commission's Annual Governance Report and Opinion of the Financial Statements**

Presented at Committee by Rob Chambers, the Commission's Audit Manager at the Leeds office, the Committee were told there were no significant issues and the Commission reported that the Council had robust systems and processes in place.

#### **2. Annual Audit Letter**

The Commission reported how the Council now had to comply with a number of new procedures and that it had performed well with an unqualified audit opinion.

#### **3. Audit of grant Claims & Returns 2010/11**

The Commission reported that all grant claims had been signed off and their view was that the job was well done.

#### **4. Audit Plan 2012/13**

The Commission's Plan for 2012/13 is before the Committee's April meeting.

### **NYAP**

Internal Audit functions during 2011/12 were carried out by NYAP, matters before the Committee were:

## **1. Internal Audit Annual Report 2010/11**

At its first meeting the Committee reviewed NYAP's annual report for 2010/11. Their overall opinion of the internal control environment within the Council was satisfactory and that controls and processes in place were sound and that it was a good report.

## **2. Internal Audit Plan 2011/12**

Also at the first meeting NYAP introduced the Audit Plan for 2011/12 that outlined the service areas to be reviewed and the man days to be undertaken.

During the year NYAP reported on the ongoing progress of the Plan by tabling three Quarterly reports

- Quarter 1+ Report – 28 September
- Quarter 2+ Report – 4 January
- Quarter 3+ Report – 18 April

### Internal Audit Reports Call-In

Where Service Audit opinions were classed unsatisfactory the Committee reserve the power to Call-In the report and ask Officer's to advise the Committee of progress and response.

During the year the Committee considered three such audits on:

#### 2.i Recycling and Waste Management

The Control Environment relating to day to day functions associated with the Enterprise contract specification was operating to a GOOD standard. However, the contract document arrangements were assessed as Unsatisfactory. The Committee were assured that Contracts were in place and that the agreed actions had been implemented.

#### 2.ii PSU Stores

Overall the controls and systems in place saw an "Unsatisfactory" standard being achieved. The Committee were informed that the recommendations had been accepted and steps were being taken to implement the agreed actions.

#### 2.iii Property Rentals

Overall the controls and systems in place saw an unsatisfactory standard being achieved. The Committee were informed that the recommendations had been accepted and steps were being taken to implement the agreed actions.

These issues would be subject to a follow-up audit to ensure recommendations were acted upon.

### **3. Counter Fraud Annual Report**

Fraud is a serious concern to all organisations, and particularly so for public bodies whose funds are finite and subject to considerable demands for both expansion of services and to reduce public sector spending. NYAP reported that the Council, both Access Selby, and the Core, take fraud seriously and have developed effective Counter Fraud arrangements, following good practice guidelines from CIPFA and the Audit Commission.

### **4. Risk Management**

At the Committee's first meeting NYAP officers conducted a brief training session for the Committee on Risk Management, before it considered the Annual Report.

#### Annual Report

The Committee were informed that, Covalent, a new electronic performance management system, had been installed into which all the Council's risk registers have been stored. The Council had a good track record risk management and this new system would aid this significantly.

#### Review of Risk Management Strategy

The Covalent system introduced a new scoring and traffic light warning system to help the monitoring of risks. The Risks would be recorded in Registers and they would be reviewed at two meetings during the year.

Risk Registers have been developed which reflect the structure and organisation of the Council:

- Corporate Risk Register
- Access Selby Board Risk Register
- Communities Selby Risk Register

The Committee has the opportunity to consider Risks when reviewed at meetings and any concerns can be brought to the Committee where there would be an opportunity to question Officers.

At the last review of the Risk Register in January the Committee asked that the following matters be discussed in the April Committee.

- Closed Burial Grounds
- Partnerships
- Staff Survey

## **5. Internal Audit Plan 2012/13**

The Plan for 2012/13 is before the Committee in April.

## **6. Accounts and Audit Regulation 6 Review**

The item is before the Committee in April.

## **SELBY DISTRICT COUNCIL**

The Committee also scrutinises Council Accounts and Annual Governance Statement.

### **1. Statement of Accounts (Post Audit)**

It is a statutory requirement that Councillors approve the Council's audited accounts which had been produced under the requirements of International Financial Reporting Standards (IFRS). This was a major change for the production of accounts and was due to allow national public sector accounts of the UK compatible with most other countries and companies globally.

It is important that the Council has sound financial, governance and resources management arrangements in place to ensure that resources are available and used to support the Council's priorities, improve services and secure value for money for our citizens.

The Committee were asked to examine the Statement of Accounts in detail and raise issues with the Executive Director (s151) or at the meeting of the Committee where the Committee questioned and approved the accounts by chapter.

The Committee accepted that the Council has:

- Selected suitable accounting policies and then applied them consistently,
- Made judgements and estimated that were reasonable and prudent,
- Complied with the local authority code,
- Kept proper accounting records which are up to date,
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Committee approved the Accounts and that they presented a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2011.

### **2. Annual Governance Statement**

The Council's Annual Governance Statement (AGS) meets a legal requirement to review the effectiveness of its system of internal control at least annually.



The CIPFA “Statement on the Role of the Chief Financial Officer in Local Government” expects the AGS will include a specific statement on whether the Council’s financial management arrangements conform to the governance requirements of the CIPFA “Statement on the Role of the Chief Financial Officer in Local Government”. At Selby there is full compliance. The Executive Director (s151 officer) is a member of the Strategic Management Team.

The Audit Commission (AC) as External Auditor will consider the AGS as part of his auditing of the Statement of Financial Accounts. The Auditor is required to issue his opinion on the accounts and sign them off. Any matters arising from the audit work will be brought to the attention of the Committee in due course.

This Annual Report states, earlier, that the Audit Commission’s review of the AGS 2010/11 found no significant issues and that the Council had robust systems and processes in place.

Given the changes to the Council’s democratic arrangements and organisational restructure, the AGS sets out the governance arrangements in place during 2010/11 and those in place currently.

In adopting and approving the AGS at the September meeting, the Committee welcomed a detailed plan:

- to address existing weaknesses and
- to ensure continuous improvement in the system of internal control had been produced in response.

The Committee accepted the AGS would be subject to regular monitoring by the Council’s Strategic Management Team and the Audit Committee, where appropriate. The aim was to address those weaknesses during the 2011/12 financial year.

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**To:** Audit Committee  
**Date:** 18 April 2012  
**Author:** Richard Besley, Democratic Services Officer  
**Lead Officer:** Karen Iveson, Executive Director (S151)

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**Title:** Audit Committee Work Programme 2012/13

**Summary:** The report provides a draft work programme for Audit Committee for the 2012/13 municipal year. The Committee is asked to contribute to and approve the work programme.

**Recommendation:**

**That Councillors use the attached information and the discussion with those present at the meeting to develop its work programme.**

**Reason for recommendation**

That the Committee ensures the contribution of scrutiny is effective in supporting of service improvement and delivery against district wide and Council priorities.

**1. Introduction and background**

- 1.1** The adoption of a revised constitution and an Executive system from May 2011 has placed an increased emphasis on the role of the three scrutiny committees within Selby District Council.
- 1.2** This report provides the Audit Committee with a draft Work Programme for approval.
- 1.3** The Constitution states that 'each year all Overview and Scrutiny Committees will formulate a work programme setting out their planned work for the year ahead'. It also states that Overview and Scrutiny Committees must consult with the Executive, before presenting their Work Programme to Council. The Work Programme is scheduled for the Executive in May 2012 and then to be approved by Council in May 2012.

## **2. The Report**

- 2.1** Councillors are reminded that the role of Audit Committee is to implement an annual work programme which effectively scrutinises and monitors the control systems, procedures and risk management systems operating at the Council.
- 2.2** The Work Programme has been developed to allow the opportunity for focussed debate on key issues and to allow the time for the committee to add real value to the topics identified.
- 2.3** A key aspect of the work programme is that it should be owned and developed by councillors. The ideas put forward by officers represent a suggested way forward, but it is important that councillors give input to the work programme.
- 2.4** However, when considering new items for inclusion on the work programme it is important that the following are taken into consideration:

### **Relevance:**

Undertaking scrutiny work is resource intensive for both councillors and officers. Investing such a level of resources can only be justified for high priority issues. The suggested topic should relate to issues associated with the Corporate Plan, the Council's 2011/12 priorities, the Forward Plan and the Budget.

### **Co-ordination:**

Topics on the work programme should not already be under consideration elsewhere within the Council or, if long term plans have been agreed, the work of Overview and Scrutiny should be co-ordinated and timely.

### **Time and Resource Constraints:**

The Committee is scheduled to hold four meetings per year; this provides a finite amount of time for the Committee to carry out its work programme. Councillors may wish to supplement this with task and finish groups or by requesting individual members to carry out work. However, the time constraints and resource demands of both councillors and officers should be considered when determining how many task and finish groups it is feasible to operate at one time.

- 2.5** In addition to the work programme, Audit Committee members will receive all final Internal Audit reports and can request that relevant officers attend scheduled meetings, to be held to account for issues raised during audit.

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

#### **3.1 Legal Issues**

Any legal issues arising will be identified in the relevant report at the time of consideration by the Committee.

#### **3.2 Financial Issues**

There is a defined budget available for the ad hoc costs associated with the support of Task and Finish Groups. A budget has been allocated for officer time in supporting the committee and this will be closely monitored.

### **4. Conclusion**

That the Committee uses the attached draft and discussion at the meeting to finalise a work programme to present to the Executive and Council.

### **5. Background Documents**

**Contact Officer: Richard Besley**  
**Democratic Services Officer**  
**Selby District Council**  
***rbesley@selby.gov.uk***

#### **Appendices:**

Appendix A – Draft Audit Committee Work Programme

APPENDIX A



**Audit Committee Work Programme 2012/13**

Date of Meeting	Topic	Action Required
19 June 2012	<b>Committee Requested Item</b> Introduction to the Audit Committee	
	<b>Committee Requested Item</b> Time of Meetings	To agree start time of Audit Committee meetings for 2012/13
	<b>Committee Requested Item</b> Audit Committee work programme 2012/13	To consider the Committee's Work Programme for the year ahead.
	<b>Committee Requested Item</b> Internal Audit Annual Report 2011/12	To consider the Internal Audit Annual Report for 2011/12.
	<b>Committee Requested Item</b> Internal Audit Plan 2012/13	To examine the Internal Audit Plan for the year.
	<b>Committee Requested Item</b> Annual Governance Statement	To review the Action Plan for the year.
	<b>Committee Requested Item</b> Risk Management Annual Report	To consider the Risk Management Annual Report for 2011/12

	<b>Committee Requested Item</b> Review of the Corporate Risk Register	To review the latest Corporate Risk Register
	<b>Committee Requested Item</b> Review of the Access Selby Risk Register	To review the latest Access Selby Risk Register
	<b>Committee Requested Item</b> Review of the Communities Selby Risk Register	To review the latest Communities Selby Risk Register
26 September 2012	<b>Committee Requested Item</b> Statement of Accounts (post audit)	To approve the Statement of Accounts
	<b>Committee Requested Item</b> Annual Governance Statement	To approve the Annual Governance Statement
	<b>Committee Requested Item</b> Audit Commission's Annual Governance Report and Opinion on the Financial Statements	To receive the Audit Commission's Annual Governance Report and opinion on Financial Statements
	<b>Committee Requested Item</b> Counter Fraud Annual Report	To review the Counter Fraud Annual Report
	<b>Committee Requested Item</b> Internal Audit Quarter 1+Report 2012/13	To review progress against the Internal Audit Plan

16 January 2013	<b>Committee Requested Item</b> Internal Audit Quarter 2+ Report 2012/13	To review progress against the Internal Audit Plan
	<b>Committee Requested Item</b> Annual Audit Letter	To receive the Audit Commission's report on the 2011/12 Audit and Value for Money conclusion
	<b>Committee Requested Item</b> Review of Risk Management Strategy	To review the Risk Management Strategy
	<b>Committee Requested Item</b> Review of the Corporate Risk Register	To review the latest Corporate Risk Register
	<b>Committee Requested Item</b> Review of the Access Selby Risk Register	To review the latest Access Selby Risk Register
	<b>Committee Requested Item</b> Review of the Communities Selby Risk Register	To review the latest Communities Selby Risk Register
17 April 2013	<b>Committee Requested Item</b> Audit of Grant Claims & Returns 2011/12	To receive the Audit report
	<b>Committee Requested Item</b> Annual Governance Statement – Action Plan Review	To review progress against the AGS Action Plan

	<p><b>Committee Requested Item</b> Internal Audit Quarter 3+ Report 2012/13</p>	<p>To review progress against the Internal Audit Plan for 2012/13</p>
	<p><b>Committee Requested Item</b> Internal Charter, Terms of Reference and Audit Plan 2013/14</p>	<p>To approve the Internal Audit Plan 2013/14</p>
	<p><b>Committee Requested Item</b> External Audit Work programme</p>	<p>To receive the Audit Commissions proposals for auditing the financial statements and value for money conclusions for 2012/13</p>
	<p><b>Committee Requested Item</b> Accounts and Audit Regulation 6 Review</p>	<p>To review the Council's Regulation 6 procedures</p>
	<p><b>Committee Requested Item</b> Audit Committee Annual Report and Work Programme 2013/14</p>	<p>To approve the 2013/14 work programme for the committee</p>