



Meeting: **AUDIT COMMITTEE**
Date: **26 JUNE 2013**
Time: **5.00PM**
Venue: **COMMITTEE ROOM**
To: **Councillors C Pearson (Chair), Mrs C Mackman (Vice Chair),
J Cattanach, Mrs D Davies, M Dyson, Mrs M McCartney,
Mrs W Nichols, I Nutt and Mrs S Ryder.**

Agenda

1. Apologies for absence

2. Disclosures of Interest

A copy of the Register of Interest for each Selby District Councillor is available for inspection at www.selby.gov.uk .

Councillors should declare to the meeting any disclosable pecuniary interest in any item of business on this agenda which is not already entered in their Register of Interests.

Councillors should leave the meeting and take no part in the consideration, discussion or vote on any matter in which they have a disclosable pecuniary interest.

Councillors should also declare any other interests. Having made the declaration, provided the other interest is not a disclosable pecuniary interest, the Councillor may stay in the meeting, speak and vote on that item of business.

If in doubt, Councillors are advised to seek advice from the Monitoring Officer.

3. Minutes

To confirm as a correct record the minutes of the proceedings of the meeting of the Audit Committee held on 17 April 2013. Pages 1 to 4 attached.

4. Chair's Address to the Audit Committee

5. Introduction to the Audit Committee

6. Time of Meetings

7. A/13/1 - Annual Internal Audit Report 2012/13

To receive the report of Executive Director (S151), pages 5 to 36 attached.

8. A/13/2 - Localised Business Rates

To receive the report of Executive Director (S151), pages 37 to 40 attached.

9. A/13/3 - Council Tax Rebilling

To receive the report of Director of Community Services, pages 41 to 44 attached.

10. A/13/4 - Annual Review of the Audit Vision and Charter

To receive the report of Executive Director (S151), pages 45 to 52 attached.

11. A/13/5 – External Audit Progress Report

To receive the report of the Audit Manager, Mazars, pages 53 to 79 attached.

12. Audit Committee Work Programme 2013/14

To receive the work programme, pages 80 to 83 attached.

13. Private Session

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

14. A/13/7 - Review of the Access Selby Risk Register

To receive the report of Executive Director (S151), pages 84 to 94 attached.

15. A/13/8 Risk Management Annual Report

To receive the report of Executive Director (S151), pages 95 to 97 attached.

16. A/13/9 Review of the Corporate Risk Register

To receive the report of Executive Director (S151), pages 98 to 116 attached.

Jonathan Lund
Deputy Chief Executive

Dates of next meetings
25 September 2013
15 January 2014
16 April 2014

Enquiries relating to this agenda, please contact Glenn Shelley on:
Tel: 01757 292007, Email: gshelley@selby.gov.uk

Minutes

Audit Committee

- Venue: Committee Room
- Date: 17 April 2013
- Present: Councillor Mrs E Casling (Chair), Councillors Mrs C Mackman, J Cattnach, M Dyson, I Nutt, Mrs M McCartney, I Reynolds and S Shaw-Wright (substitute for R Packham)
- Apologies for Absence: J Crawford, R Packham
- Officers Present: John Barnett, Veritau; Cameron Waddell, Mazars; Gavin Barker, Mazars; Karen Iveson, Executive Director (S151) and Glenn Shelley, Democratic Services Manager

35. DECLARATIONS OF INTEREST

There were no declarations of interest.

36. MINUTES

RESOLVED:

To receive and approve the minutes of the Audit Committee held on 16 January 2013 and they are signed by the Chair.

37. CHAIR'S ADDRESS

The Chair gave no address.

38. A/12/19 – MAZARS AUDIT STRATEGY MEMORANDUM 2012/13

Cameron Waddell from Mazars presented the report which set out the external Audit Plan for the year ending 31 March 2013.

Cameron Waddell reminded the Committee of the importance of Independence and he outlined the audit approach to be taken. Mazars would focus work on areas at higher risk of material misstatement such as judgement and estimation and the application of new accounting standards.

To approve the Audit Strategy Memorandum 2012/13.

39. AUDIT PROGRESS REPORT APRIL 2013

Gavin Barker from Mazars presented the report which updated the Committee on the progress it had made in meeting its external audit responsibilities.

Gavin Barker gave a brief update on the work regarding the Value For Money conclusion. He felt that the audit was going well and that the regular meetings between Mazars' staff and the Council finance team were proving beneficial.

RESOLVED:

To note the Audit Progress Report April 2013

40. A/12/20 – ANNUAL GOVERNANCE STATEMENT - ACTION PLAN REVIEW

The Executive Director (S151) presented the report which reviewed the progress on the Annual Governance Statement (AGS) 2011/12 Action Plan.

The Executive Director (S151) outlined the key issues in the report including the review of Business Support with the aim of increasing the level of financial expertise within team.

RESOLVED:

To note the Action Plan for the Annual Governance Statement for 2011/12.

41. A/12/21 – INTERNAL AUDIT QUARTER 3+ REPORT 2012/13

John Barnett, Veritau, presented the Internal Audit Progress Report for the period to March 2013.

The Committee was informed that Veritau had made good progress in the delivery of the agreed audit plan, 23 out of 27 audits had been completed at this stage. Draft reports had been issued for the final four reviews.

The Executive Director (S151) offered to respond to questions regarding payment for work completed on the Council's housing stock and the fees charged for planning advice on wind turbines outside of the meeting.

The Committee discussed the recent issuing of Council Tax bills and requested that a report be received at the next Audit Committee meeting.

RESOLVED:

To approve the report.

42. A/12/22 – INTERNAL CHARTER, TERMS OF REFERENCE AND AUDIT PLAN 2013/14

The report was presented by the John Barnett, Veritau, to update councillors on the position regarding the Internal Audit Terms of Reference, which had been delayed due to changes in national guidance. It also presented the proposed Internal Audit Plan for 2013/14.

John Barnett highlighted that the Audit Plan for 2013/14 was explicitly aligned to the Council's risk registers. The Committee discussed the Plan and the length of time assigned to key audits.

RESOLVED:

To note the position with the Terms of Reference and approve the Internal Audit Plan for 2013/14.

43. A/12/23 – ACCOUNTS AND AUDIT REGULATION 6 REVIEW

John Barnett, Veritau, presented the report on the Annual Review of the Effectiveness of Internal Audit, from Veritau North Yorkshire.

John Barnett outlined the process for the collection of client feedback. The results indicated that overall there was a high level of satisfaction with the service provided.

RESOLVED:

To approve the findings and any actions from the review.

44. A/12/24 – AUDIT COMMITTEE ANNUAL REPORT 2012/13

The Chair presented the report which provided an overview of the work of the Audit Committee in 2012/13.

RESOLVED:

To note the report.

45. A/11/25 – AUDIT COMMITTEE WORK PROGRAMME 2013/14

The Executive Director (S151) presented the report which provided a draft work programme for Audit Committee for the 2013/14 municipal year.

The Committee wished to continue to receive audit reports with a finding of limited assurance at its next meeting. Officers would look into an issue identified regarding the system of maps used to determine planning applications and if this would be suitable for inclusion as part of the work programme.

RESOLVED:

To note the work programme for 2013/14.

The meeting closed at 5.47pm

Public Session

Report Reference Number A/13/1

Agenda Item No: 7

To: Audit Committee
Date: 26 June 2013
Author: John Barnett; Audit Manager; VNY
Lead Officer: Karen Iveson; Executive Director (s151 Officer)

Title: Annual Internal Audit Report 2012/13

Summary:

The purpose of the report is to present the Internal Audit Annual Report for 2012/13. That report is prepared by Veritau North Yorkshire (VNY), based on work carried out during the period April 2012 to March 2013.

Recommendations:

It is recommended that the attached report for 2012/13 be approved.

Reasons for recommendation

It is recommended that the report is considered by the Audit Committee as it summarises the audit work undertaken during the year. It also encompasses the overall internal audit opinion of the internal control framework which forms part of the Annual Governance Statement.

1. Introduction and background

- 1.1. The provision of Internal Audit is a statutory requirement (Accounts & Audit Regulations 2011).
- 1.2. Compliance with established Internal Audit Codes of Practice (CIPFA; IIA) require that the Audit Committee are provided with an annual report setting out the work done by internal audit, and that such a report contains an overall opinion of the Internal Control Framework.

2. The Report

- 2.1 The purpose of the report is to provide a statement of assurance regarding the adequacy and effectiveness of the internal control system; and a summary of the internal audit work carried out during the year to 31 March 2013. The Statement of Assurance will support the Annual Governance Statement (AGS) which forms part of the Council's Financial Statements.
- 2.2 Within the report there is also a summary of the audit opinions for the individual audits completed in the year, to support the overall opinion. It also includes a synopsis of the performance of Veritau in delivering internal audit to Selby DC.
- 2.3 Veritau carried out its work in accordance with the Cipfa Code of Practice for Internal Audit in Local Government.
- 2.4 There is no direct linkage to any of the Council's Priorities, as internal audit is a support service, which provides internal control and activity assurance to Directors on the operation of their services, and specifically to the Council's S151 Officer on financial systems.

3. Legal/Financial Controls and other Policy matters

3.1. Legal Issues

(a.) None.

3.2. Financial Issues

(a.) None.

4. Conclusion

- 4.1 The overall opinion of the Head of Internal Audit on the controls operated in Selby District Council is that they provide **Substantial Assurance**. There are no qualifications to that opinion. No reliance was placed on the work of other assurance bodies in reaching this opinion. There were two control related issues which, in the opinion of the Head of Internal Audit, need to be considered for inclusion in the Annual Governance Statement; ICT 2011/12, identified key risks around Disaster Recovery and Business Continuity Planning. Management have recognised these issues and have formulated and tested a Disaster Recovery Plan with Craven DC and are working towards an approved Business Continuity Plan; Council Tax Billing 2013/14 – a control issue resulted in an error in the calculation of the annual bills. Management have since identified the control failure and taken steps to introduced additional controls to prevent a reoccurrence of the situation.

5. Background Documents

Contact Officer: *John Barnett; Audit Manager; Veritau North Yorkshire;*

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Roman Pronyszyn; Client Relationship Manager; Veritau

roman.pronyszyn@veritau.co.uk

Appendices: - Annual Internal Audit Report 2012/13

Selby District Council

Internal Audit Annual Report

2012-13

Audits Completed to 31 March 2013	
High Assurance	10
Substantial Assurance	11
Moderate Assurance	2
Limited Assurance	2
No Assurance	0

Audit Opinion

Substantial Assurance

Audit Manager: John Barnett
Client Relationship Manager: Roman Pronyszyn
Head of Internal Audit: Max Thomas

Circulation List: Members of the Audit Committee
Executive Director (S151 Officer)

Date: 26 June 2013

Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2011 and the CIPFA Code of Practice for Internal Audit in Local Government (2006). In accordance with the Code of Practice, the Head of Internal Audit is required to report to those charged with governance the findings of audit work, provide an annual opinion on the effectiveness of the Council's internal control environment and identify any issues relevant to the preparation of the Annual Governance Statement.
- 2 During the year to 31 March 2013 the Council's internal audit service was provided by Veritau North Yorkshire Ltd, which is part of the Veritau Group.

Internal Audit Work Carried Out 2012/13

- 3 During the 2012/13 year internal audit work was carried out across the full range of activities of the Council. The main areas of internal audit activity included:
 - **Material Systems;** work in this area provides both assurance to Selby DC and helps support the work of external audit (thus reducing the external audit fee). During the year, eleven material systems were reviewed. None fell below Substantial Assurance in their rating.
 - **Systems/Operational;** this represents the bulk of the internal audit programme. All but four of the audits were rated as Substantial Assurance or above; Disabled Adaptations was "moderate" (risks around segregation of duties and the treatment of VAT); ICT 2011/12 was "limited" (risk around disaster recovery, security and back-up arrangements); Mobile Telephones was "limited" (risks around the control of phones, absent agreement and inappropriate calls); Performance Management was "moderate" (risks around inaccurate KPI's and PI descriptions were not complete on Covalent).
 - **Follow Up;** this work covers those audits where significant risk has been identified and is intended to provide assurance that the agreed recommendations are being properly implemented. The areas reviewed are highlighted in Appendix 2.
 - **Support to the Audit & Governance Committee;** this was mainly ongoing through our support and advice to members. We have assisted by facilitating the attendance at Committee of managers to respond directly to members questions and concerns over the audit reports and the actions that managers are taking to implement agreed recommendations.
 - **Contractor Assessment;** this work involved supporting the assurance process by using financial reports obtained from Dunn & Bradstreet (credit rating agency) in order to confirm the financial robustness of contractors.
 - **Risk Management;** during the year Veritau facilitated the Council's risk Management process and advised Access Selby on their processes.
 - **Systems Development;** Internal Audit attended a number of development group meetings in order to ensure that where there are proposed changes and new ways of delivering services, that the control environment is not overlooked which could lead to the Council being exposed.
 - **Investigations;** No special investigations were carried out during the year.

- 4 **Appendix 1** shows the final table of audit work carried out, and the audit opinion associated with the audits completed. **Appendix 2** provides a summary of the findings of our audit work, and **Appendix 3** an explanation of our assurance levels and finding priorities.

Compliance with Standards

- 5 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.
- 6 The regulations were revised with the issue of circular SI 817/2011. This required, 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. In Selby District Council, this report was considered by the Audit Committee at it's meeting on 17 April 2013.
- 7 The code sets out 11 standards for internal audit. These cover the following:
1. Scope of Internal Audit;
 2. Independence:
 3. Ethics:
 4. Audit Committees;
 5. Relationships;
 6. Staffing, training and Continuing Professional Development:
 7. Audit Strategy and Planning;
 8. Undertaking Audit Work:
 9. Due Professional Care;
 10. Reporting: and
 11. Performance, Quality and Effectiveness.
- 8 It was reported to committee that during 2012/13 the internal audit work for Selby was delivered in accordance with the CIPFA Code of Practice for Internal Audit in Local Government (the CoP). A further survey of Directors and Senior Managers confirms compliance with the code of practice.

Audit Opinion and Assurance Statement

- 9 All Veritau internal audit work was conducted in accordance with both mandatory standards and good practice contained within the CIPFA Code of Practice for Internal Audit in Local Government. In connection with the report to an Audit Committee, the guidance states that:

"The Head of Internal Audit's formal annual report to the organisation should:

- (a) include an opinion on the overall adequacy and effectiveness of the organisation's internal control environment,
- (b) disclose any qualifications to that opinion,
- (c) present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies,
- (d) draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement,

- (e) compare work actually undertaken with the work that was planned and summarise the performance of the Internal Audit function against its performance measures and criteria,
- (f) comment on compliance with these standards and communicate the results of the Internal Audit quality assurance programme.

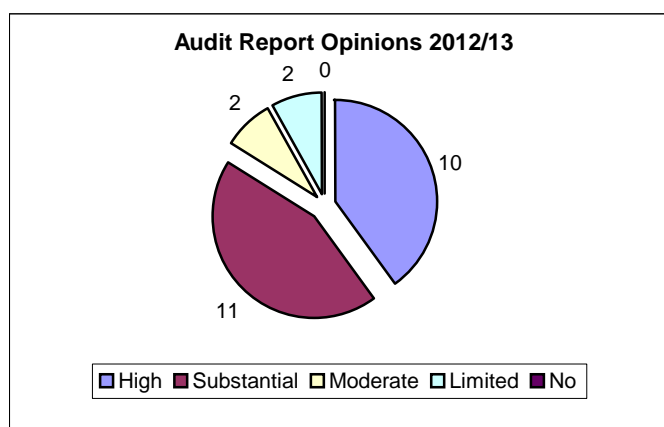
10 The overall opinion of the Head of Internal Audit on the controls operated in Selby District Council is that they provide **Substantial Assurance**. There are no qualifications to that opinion. No reliance was placed on the work of other assurance bodies in reaching this opinion. There were two control related issues which, in the opinion of the Head of Internal Audit, need to be considered for inclusion in the Annual Governance Statement; ICT 2011/12, identified key risks around Disaster Recovery and Business Continuity Planning. Management have recognised these issues and have formulated and tested a Disaster Recovery Plan with Craven DC and are working towards an approved Business Continuity Plan; Council Tax Billing 2013/14 – a control issue resulted in an error in the calculation of the annual bills. Management have since identified the control failure and taken steps to introduced additional controls to prevent a reoccurrence of the situation.

The Assurance:	
Risk Management	I am satisfied that the Authority has embedded Risk Management arrangements within the organisation and this operates effectively.
Governance	Our work this year leads me to the overall opinion that the Corporate Governance arrangements are sound.
Internal Control	My overall opinion is that the internal controls within the financial system and key operational systems in operation throughout the year are fundamentally sound.

Max Thomas
 Director and Head of Internal Audit
 Veritau Ltd

26 June 2013

Table of 2012/13 audit assignments completed



Audit	Status	Audit Committee
Material Systems (AC definition)		
Benefits	Completed ~ High Assurance	April 2013
Council House Repairs	Completed ~ Substantial Assurance	January 2013
Council Tax/NNDR	Completed ~ Substantial Assurance	April 2013
Creditors	Completed ~ Substantial Assurance	June 2013
Debtors	Completed ~ Substantial Assurance	April 2013
General Ledger	Completed ~ Substantial Assurance	April 2013
Housing Rents	Completed ~ Substantial Assurance	January 2013
Income (Cash Receipting) System	Completed ~ High Assurance	April 2013
Treasury Management	Completed ~ High Assurance	January 2013
Capital Accounting/Asset Management	Completed ~ High Assurance	January 2013
Payroll	Completed ~ High Assurance	April 2013
2012/13 Audit plan work		
Members Allowances	Completed ~ Substantial Assurance	September 2012
The Business – Access Selby	In progress	
Disabled Adaptations	Completed ~ Moderate Assurance	September 2012
Sheltered Accommodation	Completed ~ Substantial Assurance	September 2012
Development Control	Completed ~ High Assurance	April 2013
ICT	Draft	
ICT 2011/12	Completed ~ Limited Assurance	January 2013
Civil Contingencies (Business Continuity)	Completed ~ High Assurance	January 2013
Land Sales	Completed ~ High Assurance	January 2013
Closed Burial Grounds	Completed ~ Substantial Assurance	September 2012
Officers Allowances	Completed ~ Substantial Assurance	September 2012
Equalities	Completed ~ High Assurance	January 2013
Partnership Arrangements	Completed ~ Substantial Assurance	April 2013

Audit	Status	Audit Committee
Performance Management/Data Quality	Completed ~ Moderate Assurance	June 2012
Mobile Telephones	Completed ~ Limited Assurance	September 2012
Tax Management	Completed ~ High Assurance	September 2012
Follow Ups:	Completed ~ see below for follow up action against 'key weaknesses'.	

Summary of Key Issues from audits completed to 31 March 2013; not previously reported to Committee

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Creditors	Substantial Assurance	A review to ensure Creditors are correctly paid in a timely manner.	19 April 2013	<p>Strengths The introduction of the e-procurement system was well managed and met with few major problems.</p> <p>Key Weaknesses There are no policies or procedures in place for the monitoring of new or amended supplier details.</p> <p>Procedures and tolerance levels, within the system, need to be agreed and set.</p> <p>Segregation of duties is circumvented within the system.</p>	<p>Each month Business Support will sample 10% of new suppliers set up on the COA systems to ensure they are bona vide. <i>June 2013.</i></p> <p><i>F/U – checks are now in place.</i></p> <p>Policies and procedures to be developed and tolerance levels set. <i>July 2013.</i></p> <p>The business case for having generic IDs will be re-examined and a suitable policy developed. <i>July 2013.</i></p>

Summary of Key Issues from audits previously reported to Committee

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Benefits	High Assurance	A review of the key risks/controls involved in awarding and paying benefits.	7 February 2013	<p>Strengths In this period of uncertainty over the actual timing of implementation of proposed benefits legislation, the officers in the benefits section are working hard to cope with the day to day workload and the exceptional demands due to necessary skills training and preparatory work for change. The lead officer works well and leads by example. It is to the team's credit that this audit has not identified any significant shortcomings or areas of risk.</p> <p>There was one area where we identified Over Control in so far as it was decided, at the previous audit, that reconciliations of SZ0894 ZSBP – Benefits Control to SA0104 5001 – Council Tax Benefit by the Lead Officer Benefits and Taxation, were considered to be unnecessary.</p>	<p>'Reconciliation' of SA0104 5001 during the course of the year will be abandoned. <i>Immediate</i></p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>Key Weaknesses Reconciliations of SF0502 5004 – Housing Benefits/Rent Rebates to SF0501 5003 – Rent Allowance Other Income, have only been carried out for the first quarter of the current financial year.</p> <p>The Benefits Bank Account reconciliation is not up to date.</p>	<p>Reconciliations of SF0502 5004 – Housing Benefits/Rent Rebates and SF0501 5003 – Rent Allowance Other Income, will be brought up to date.</p> <p><i>F/U – now up to date</i></p> <p>Now that the Benefits bank account reconciliations have recommenced, officers will ensure that, henceforth, they are completed on a monthly basis.</p> <p><i>F/U – now up to date</i></p>
Council House Repairs	Substantial Assurance	A review to ensure that Council Houses are appropriately maintained in line with the Right to Repair Scheme 1994.	20 November 2012	<p>Strengths The systems and controls have not changed significantly since the last audit when the overall control environment was rated as “satisfactory”.</p> <p>The allocation of jobs to tradesmen and contractors worked effectively with little evidence of delayed repairs. Customer satisfaction surveys were generally very positive.</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>Key Weaknesses The asset team does not undertake any post completion inspections, relying on customer satisfaction survey feedback. This issue had also been raised by the Audit Commission in their recently issued Pre-statements report.</p>	<p>A 5% sample of completed works for contractors will be inspected to ensure that work has been carried out as planned and that any materials invoiced appear to have been utilised. For SDC tradesmen, sample checks will be introduced if satisfaction survey responses dip below 95% satisfied. 31 December 2012</p> <p><i>F/U - confirmed that Asset Co-ordinators have been requested annotate invoices on DIP when inspections have been undertaken and Lead Officer will monitor these.</i></p>
Council Tax/NNDR	Substantial Assurance	A review of the key risks/controls for the setting and collection of local tax.	8 March 2013	<p>Strengths The Lead officer and staff within local taxation are experienced and have a good understanding of the risks and controls in this area. Collection rates for both Council Tax and NNDR remain steady and in line with other local district councils.</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>Key Weaknesses Inspections are rare and not always recorded as such. Local Taxation officer confirmed that many empty properties are overdue inspection/visit. Over half the sampled of empty properties (i.e. 8 of 15) had not had an inspection recorded in the last 12 months.</p> <p>All write-offs examine had been correctly authorised by the S151 Officer, however the WO's on the Northgate system are not regularly reconciled with the General Ledger.</p>	<p>The community officers' supervisor will monitor empty property inspections over the coming months with a view to having them all completed promptly by 30/6/2013. 1 July 2013</p> <p><i>F/U – New rules have reduced the number of inspections required, however inspections are carried out and progress is being made to clear the backlog.</i></p> <p>A write-off reconciliation between the Northgate system and the General Ledger will be undertaken each quarter. 31 March 2013.</p> <p><i>F/U – O/S</i></p>
Debtors	Substantial Assurance	A review to ensure that debtors accounts are promptly and correctly raised and all payments received are correctly allocated.	10 January 2013	<p>Strengths The day to day functions of the debt control team are ably undertaken under the direction of the lead officer. A progressive outlook is seen, this being evidenced by such work as implementing direct debit payments; adapting overdue debt reporting into a format more easily understood by usiness</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>managers and as a future project, looking more closely at streamlining, where possible, debt collection procedures across the various functions of the Authority.</p> <p>Key Weaknesses There is no "date work carried out/date service supplied" box on the Sundry Debt Invoice Request template so compliance with VAT regulations in this respect is not always possible to verify.</p> <p>Invoices sampled included two in respect of recyclable supplies to contractors which fell outside the 2 month rule. VAT regulations prescribe that where a local authority supplies taxable goods or services in the course of business activities, the supply may be treated as taking place at the time when the local authority issues a VAT invoice in respect of it, provided that the invoice is raised no later than 2 months after the date of removal of goods or performance of the services.</p>	<p>The Sundry Debt Invoice Request Template will be amended so that it reads "Details and Dates of Goods/Services Supplied" i.e. inclusion of the words "and Dates". <i>Immediate</i></p> <p><i>F/U – now complete</i></p> <p>The requirement will be observed. Discussions will take place with contractors to ensure that data is supplied promptly to facilitate the raising of invoices within the required timescale. <i>31 January 2013</i></p> <p><i>F/U – now complete</i></p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				This issue has been raised at a previous audit and requires further attention.	
General Ledger	Substantial Assurance	A review to ensure that the key controls around the balances within the ledger are working as intended and that adequate budgetary control is exercised.	27 February 2013	<p>Strengths There is an experienced, small team of finance officers meeting the challenges and undertaking their duties effectively under a newly appointed Lead Officer.</p> <p>Key Weaknesses Effective controls were seen in most areas with the exceptions noted below:-</p> <p>The reconciliation of the Income Bank account has fallen into arrears as was highlighted at the last audit in 2012. Some work has been undertaken since to reduce the back log of weekly reconciliations, down to 6 weeks.</p> <p>Within the latest Annual Accounts comment was made under "Significant Governance Issues" that there were concerns regarding the reconciliation between feeders and the main accounting system. Records of reconciliations held in Finance show that the</p>	<i>F/U - The Income Bank A/C reconciliation and feeder system reconciliations, including the Rent Income A/C, are now up to date.</i>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				situation has improved with the exception of Rent Income which was raised as in issue in the Housing Rents Audit.	
Housing Rents	Substantial Assurance	To review the risks/controls in place to ensure that rent accounts are efficiently and effectively maintained and that rents due are effectively collected.	8 October 2012	<p>Strengths The systems and controls have not changed significantly since the last audit when the overall control environment was seen to be of a good standard. Officers working on Rents were seen to be experienced in their roles and this has helped to maintain controls at a high standard.</p> <p>Key Weaknesses The reconciliation of the Rent Income general ledger account had not been regularly undertaken. This was said to be due to timing differences between the Financial Management System (COA;) the rents system (Genero); and the cash receipting system (Paris) i.e. rents paid weekly so no direct comparison with month end figures on COA. The Technical Officer had done a one off exercise to reconcile the systems earlier this year but there is still no agreed procedure in place</p>	<p>From next month the COA download will be a year to date report rather than just the transactions in the period making the reconciliations easier to complete. Once this has been achieved procedure notes will be prepared to detail the process for reconciliation of the Rent Income General Ledger with reconciliations being undertaken, and reviewed by management, each month <i>31 December 2012</i>.</p> <p><i>F/U – now up to date</i></p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				for this to be undertaken on a regular basis.	
Income (Cash Receiving) System	High Assurance	A review to ensure that all collections are securely collected, controlled and posted to the relevant Accounts within the main ledger.	13 December 2012	<p>Strengths The officers dealing with the main income stream of the Council are well experienced and trained with adequate records maintained to evidence controls in place.</p> <p>Key Weaknesses Manual receipts are not suitably controlled.</p>	Manual receipts will be treated as controlled stationery, properly recorded and have now been locked away in the archive store. <i>Immediate.</i>
Treasury Management	High Assurance	To ensure that funds are securely and wisely invested/borrowed.	14 September 2012	<p>Strengths Treasury Management duties are undertaken by a small team of experienced officers within Finance under the guidance of the Lead Officer. The systems and controls have not changes significantly since the last audit when the overall control environment was seen to be a 'good' standard.</p> <p>Key Weaknesses There were no key weaknesses identified.</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Capital Accounting/Asset Management	High Assurance	To confirm that the 'capital' and Assets are treated, in the accounts, with agreed/legislative standards.	14 November 2012	<p>Strengths Capital Accounting is controlled effectively by the small experience Finance Team under the direction of the Lead Officer.</p> <p>Key Weaknesses There were no key weaknesses identified.</p>	Only verbal recommendations.
Payroll	High Assurance	The key controls were examined to ensure that only bona vide officers are correctly paid in accordance with terms and conditions and in a timely manner.	21 January 2013	<p>Strengths The payroll process has changed little in the past 12 months with the same lead officer and officers in charge of the day to day processing, and as such controls continue to be effective.</p> <p>Key Weaknesses There were no key weaknesses identified.</p>	
Members Allowances	Substantial Assurance	A review to ensure that expenses claimed by Members are bona fides and calculated correctly.	5 July 2012	<p>Strengths The officers dealing with Members Allowances are well experienced and trained with adequate records maintained to evidence controls in place.</p> <p>There was one area where we identified 'over control' in the checking of claim</p>	One P3 action agreed – claims checking will be limited to a defined sample.

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				Inland Revenue.	clarified. <i>Immediate.</i> <i>F/U – Implemented in part. Still unclear re: vat.</i>
Sheltered Accommodation	Substantial Assurance	To review the risks/controls in the administration of the service and the monitoring and charging mechanisms.	26 July 2012	<p>Strengths Support Officers are under the supervision of a Customer Services Officer and provide invaluable assistance to residents. The raising of invoices was seen to be well administered although it was highlighted that chasing non-payments had been a problem in the past but had been addressed resulting in a reduction in the outstanding balances.</p> <p>Key Weaknesses All Lifeline invoices are raised 'vat free/exempt', however it is only those residents who meet certain criteria which fit into this category – the others are subject to VAT.</p>	<p>Agreed to reassess all those receiving the service to ensure they are correctly treated under the VAT regulations <i>30 September 2012.</i></p> <p><i>F/U - Implemented – process changed.</i></p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Development Control	High Assurance	A review to ensure that planning applications are processed in accordance with the Council's policies and government legislation and all income due, in regards to planning fees, are promptly received and accounted for.	18 March 2013	<p>Strengths The Planning Team work effectively to deal with the current workload under the direction of the Lead Officer.</p> <p>The Council's Corporate Risk Register refers to the risk of successful planning appeals. The Lead Officer meets with Members to ensure that the reason for the overrule is fully justified by reference to policies so that a robust defence can be presented should an appeal be subsequently made. However, in certain circumstances there remains the risk of successful appeals and with them associated costs to the Council.</p> <p>Key Weaknesses There were no key weaknesses identified.</p>	
ICT 2011/12	Limited Assurance	To ensure that physical security and disaster recovery arrangements are robust.	29 November 2012	<p>Strengths It systems are efficiently supported by able officers.</p> <p>Key Weaknesses Officers are unaware of how to operate the FM200 Fire Suppression system control panel. In addition someone</p>	Key staff to be trained in the use of the FM200 Control Panel. <i>Complete.</i>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>(thought to be the Building Manager) switches the extinguishing system from 'automatic' to 'manual' before entering the suite, but forgets to switch it back again when leaving.</p> <p>The back up media, which is stored at the Vivars, is carried out every 4th week. In the worst scenario if the Civic Centre was lost just before a new 4 week tape was to be taken off-site, then 4 weeks worth of data could be lost.</p> <p>The key to the Vivars store is kept in the IT Suite at the Civic Centre. In the event of a disaster, this room would not be accessible, staff would therefore find it difficult to access the tapes required to restore the systems.</p> <p>ICT Business Continuity and Disaster Recovery Plans are out of date and it is unclear if they have been formally adopted and tested.</p>	<p>Discussions to be held with the Building Manager. <i>August 2012.</i></p> <p><i>F/U – completed.</i></p> <p>Timing sensitivity and storing of back-up tapes will be reviewed as part of BCP/DR update. <i>Immediate.</i></p> <p><i>F/U – linked to the formation of the BC and DR Plans.</i></p> <p>Additional keys to be held at Vivars. <i>Complete.</i></p> <p>Business Continuity and Disaster Recovery Plans to be reviewed, updated, formally adopted, responsibility clearly allocated and contents communicated to all appropriate staff. <i>31 January 2013</i></p> <p><i>F/U – Disaster Recovery Plan now in place and tested, with Craven DC. Progress is being</i></p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				Selby currently has a contract with a contractor for the provision of a trailer and power supply in the event that the Civic Centre is lost. This does not, however, include the supply of servers. It is the intention that Craven will provide a 'mirror site' which will, in the long term, mitigate the risk.	made into finalising the BCP. Selby are currently undertaking Business Impact Analysis in the Service Areas which will come to IT to formulate a DR Plan. This will also inform the Business as to the cost of the solution. <i>31 March 2013</i> <i>F/U – see above linked to BCP & DR Plans.</i>
Civil Contingencies	High Assurance	Compliance with the Civil Contingencies Act 2004.	12 September 2012	<p>Strengths Management are progressing towards compliance.</p> <p>Key Weaknesses Up to date Business Continuity and Disaster Recovery plans, to reflect the changes since the authority moved to its new site and the recent business re-organisation are not yet in place, however management are working on them.</p>	
Land Sales	High Assurance	To ensure that the sale(s) of land are conducted in accordance with established procedures.	27 September 2012	<p>Strengths Very few land sales have been undertaken since the last audit with the only major capital receipts resulting from the sales of the old civic</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>centre site and a plot of land at Riccall. However, for those sales that have taken place they were conducted in an effective and efficient manner.</p> <p>Key Weaknesses There is no register or suitable record of land sales. It was said that the previous senior solicitor (who has now left SDC) may have had such a list but this could not be traced. Sales were identified from general ledger records and knowledge of the legal team. Although there are compensating controls ie Asset Register, they do not eliminate the risk altogether.</p>	<p>A register detailing all applications for the sale of land and their fate will be set up and maintained. <i>31 October 2012</i></p> <p><i>F/U - As yet there have been no further applications to purchase land and as such no register is yet in place.</i></p>
Closed Burial Grounds	Substantial Assurance	To ensure the risks around CBG are minimised and that the Council as abiding by legislation in the maintenance of these 'grounds'.	12 July 2012	<p>Strengths The risks around the maintenance of CBG use to be high on the Corporate Risk Register but improvements in control and compliance with the relevant legislation has reduced the risk.</p> <p>There was one area where we identified 'over control' in the practice of checking all monuments on a six monthly basis.</p>	<p>Agreed that a review of the regularity of site inspections will be undertaken in line with the perceived risks identified <i>31 October 2012.</i></p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>Key Weaknesses There were no key weaknesses identified.</p>	<i>F/U - implemented – verbally confirmed.</i>
Officers Allowances	Substantial Assurance	To ensure that controls are in place to reduce the risk of allowances/claims being paid, are not bona fides and authorised.	21 June 2012	<p>Strengths The day to day control of officer's allowances has been shown to be effective. It was identified that details of officers registered vehicles may not have been up to date and that this may result in the incorrect mileage rate being applied. Prompt action was taken when this was highlighted to rectify the records held.</p> <p>There was one area where we identified 'over control' with 100% of claims being checked to the Payroll system even though NYCC do this under the Payroll SLA.</p> <p>Key Weaknesses There were no key weaknesses identified.</p>	<p>Agreed that only a 20% sample of claims will be checked to the Payroll system <i>Immediate.</i></p> <p><i>F/U - Implemented .</i></p>
Equalities	Substantial Assurance	To ensure compliance with the Equalities Act 2010 and 'good practice'.	21 September 2012	<p>Strengths The Authority is seen to comply with the requirements of the 2010 Equality Act.</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>Key Weaknesses Key areas requiring attention are in Training, where a more focused approach is required; also in the completion and ongoing management of Equality Impact Assessments.</p>	<p>The issues raised will be addressed. <i>30 September 2012.</i></p> <p><i>F/U - HR confirmed that no new training has been undertaken. Work on EIAs is still ongoing.</i></p>
Partnership Arrangements	Substantial Assurance	A review of the controls in place, ensuring that governance arrangements are sound.	19 December 2012	<p>Strengths The Authority has a focused approach towards the setting up and ongoing management in partnerships, the main administration being through the contract team in the Council. Overall, good management is seen.</p> <p>Key Weaknesses A comprehensive review of risk management arrangements in partnerships is necessary.</p>	<p>The perceived need for a comprehensive review of partnership risk management arrangements and recording/updating in Covalent will be addressed through discussion and training thereby setting in place clear procedures and responsibilities. <i>31 March 2013.</i></p> <p><i>F/U – Risk Register now in place for Enterprise and WLCT.</i></p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Performance Management/Data Quality	Moderate Assurance	To review the processes for collecting, managing and reporting data.	20 May 2012	<p>Strengths The Covalent Performance Management System works effectively to give management a good indication of the progress Access Selby is making against key targets within its SLA with SDC Core. Reporting of the performance to date is regular to both local management and the executive.</p> <p>Key Weaknesses Whilst most KPIs are clear as to what and how they will be measured there is evidence of KPIs being set without knowing what the base was (e.g. SLA_026) , what will be measured and how. As such any comments as to progress will be very subjective and open to question. It is noted that in some cases indicators are still noted as "ongoing work to develop..." well into the year (e.g. SLA_029).</p> <p>It was also noted that full descriptions for 8 of the 10 management indicators sampled were not loaded onto Covalent which may lead to the wrong data being</p>	<p>When developing KPIs for 2013-14 the following criteria will be considered. Target set should be: Specific; Measurable; Achievable; Relevant; & Time-bound. <i>28 June 2013</i></p> <p>A full description will be included on the Covalent system for all indicators to clarify exactly what is being measured and how. <i>28 June 2013</i></p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				recorded and measured. The two exceptions being old National Indicators NI181 & NI157B.	
Mobile Telephones	Limited Assurance	A review to ensure that the controls are in place to reduce the risks around the procurement, usage and monitoring of mobile telephones.	15 August 2012	<p>Strengths Although the day to day administration of the processes have been neglected in recent years, the Lead Officer – Business Support has recognised these fundamental deficiencies inherited by her and has already set about introducing controls to minimise the risk. This has been recognised but until the measures are firmly in place, the audit opinion is that only a 'limited assurance' can be given.</p> <p>Key Weaknesses There is an absence of a written agreement between the Council and the service provider.</p>	<p>The original contract will be located. If this is not possible, copies will be drawn up and executed by the parties involved. <i>Immediate.</i></p> <p><i>F/U – Implemented, verbal confirmation received. Contract extension agreed to 31/3/13 and new contract in place for 01/04/13 onwards.</i></p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>There is no single comprehensive record of mobile phones in place and the transfer of phones from one officer to another, are not recorded.</p> <p>Aspects of inappropriate call charge billing is not investigated. One such example included charges paid by a phone now known to be lost or stolen (now blocked). In one month alone charges amounted to over £260 on this phone.</p> <p>Possible failure to address the subject of security on SDC mobile phones, tablets and other mobile devices such as PDA's and on officers own devices for work purposes.</p>	<p>Since the completion of the audit a comprehensive record has now been established and the Orange website, definitive record, is up to date. This will monitor mobile transfer between officers <i>Completed.</i></p> <p>A monthly report will be drawn down from the Orange website to identify any premium rate calls or texts. All numbers will be investigated and where possible/appropriate, blocked <i>31 August 2012.</i></p> <p><i>F/U - Implemented</i></p> <p>A risk assessment will be carried out to ascertain the security risk in officers using mobile device. <i>Yet to be agreed with Business Manager.</i></p> <p><i>F/U - Remains under consideration.</i></p>
Tax Management	High Assurance	A review to ensure compliance with the Construction Industry Scheme as governed by the HMRC.	7 August 2012	<p>Strengths</p> <p>The business administration assistant dealing with CIS invoices is very experienced and has a good understanding of how the scheme works for sub-contractors used by SDC. Some inputting errors were</p>	One P3 action agreed.

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>noted but control checks in place had identified most of these prior to submission of the monthly return to HMRC.</p> <p>Key Weaknesses There were no key weaknesses identified.</p>	

Audit Opinions and Priorities for Actions

Audit Opinions	
<i>Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.</i>	
<i>Our overall audit opinion is based on 5 grades of opinion, as set out below.</i>	
Opinion	Assessment of internal control
<i>High Assurance</i>	<i>Overall, very good management of risk. An effective control environment appears to be in operation.</i>
<i>Substantial Assurance</i>	<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>
<i>Moderate assurance</i>	<i>Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.</i>
<i>Limited Assurance</i>	<i>Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.</i>
<i>No Assurance</i>	<i>Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.</i>

Priorities for Actions	
<i>Priority 1</i>	<i>A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management</i>
<i>Priority 2</i>	<i>A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.</i>
<i>Priority 3</i>	<i>The system objectives are not exposed to significant risk, but the issue merits attention by management.</i>

Public Session

Report Reference Number A/13/2

Agenda Item No: 8

To: Audit Committee
Date: 26 June 2013
Author: Karen Iveson – Executive Director
Lead Officer: Karen Iveson – Executive Director

Title: Localised Business Rates

Summary:

This report outlines the funding regime in respect of the new Business Rates Retention Scheme. Under this scheme the Council's funding level is estimated to be £2.1m for 2013/14 although actual funding is subject to rates income collected which introduces an element of risk and reward into the Council's 'Formula Funding' from central government.

Initial estimates suggest that additional receipts of circa £700k may be achieved for the year (after levy paid). At this stage any additional sum has not been included within the budget, instead additional receipts are to be set aside in the 'Business Rates Equalisation Reserve' to help offset any potential future losses until more experience of the scheme is gained.

Recommendation:

The committee note the details of the Business Rates scheme and the arrangements to deal with the funding risk.

Reasons for recommendation

The Audit Committee has responsibility for overseeing the management of risks facing the Council.

1. Introduction and background

- 1.1 This report outlines the new funding regime for local government in respect of the Business Rates Retention Scheme that become effective from 1 April 2013.

1.2 Under this new scheme the Council retains a proportion of the Business Rates that it collects from local businesses after paying a tariff to central government. The scheme introduces an element of 'risk and reward' into 'formula funding' from central government.

2. The Report

2.1 From 2013/14 the Local Government Finance Settlement includes an element of local Business Rates Retention (BRR).

2.2 The amount of 'Formula Funding' (previously 'Formula Grant') is based on the Government's assessment of a local authority's needs – similar to that under the former system but updated to reflect changes in population and other relevant data (including increasing the weight given to sparsity).

2.3 'Formula Funding' plus any specific grants rolled in (e.g. Council Tax Freeze grant) gives the total funding – known as 'Start-up Funding Assessment'.

2.4 Start-up funding is then split between Revenue Support Grant, which is guaranteed, and the BRR Baseline Funding Level.

2.5 For authorities that collect Business Rates in excess of their assessed needs, a 'Tariff' is payable (as in the case of districts) and for those authorities that collect less than they need, a 'Top-up' is receivable (such as counties).

2.6 The actual amount of BRR will be subject to income collected and a safety net threshold equivalent to 7.5% of the Baseline Funding Level (£161k) has been set. This means that only 92.5% of BRR is guaranteed.

2.7 For Selby the amount of BRR is calculated as follows:

	2013/14 £000	
NDR Baseline	16,294	40% of NDR for the district based on an average of years 10/11 and 11/12 adjusted for changes in the rates multiplier, appeals, rateable values since December 2011 and a forecast change in rateable values to September 2013.
Less Tariff	14,146	Aims to equalise NDR funding between local authorities
Baseline Funding Level	2,148	

- 2.8 The actual amount of BRR an authority will receive will depend upon the amount actually collected – if less NDR is collected then the ‘Safety Net’ may come into play or if more NDR is collected then a ‘Levy’ will be payable.
- 2.9 There will be no cap on the amount of resources that an authority can receive through the scheme. For Selby the Levy relative to the NDR Baseline is calculated as follows:

$$\begin{aligned} \text{Levy} &= 1 \text{ minus (Baseline Funding Level divided by NDR Baseline)} \\ &= 1 - 2,147,863 / 16,293,521 \\ &= 0.868 \end{aligned}$$

However the maximum ‘Levy’ rate is 50 pence in the pound

- 2.10 Applying the Safety Net and Levy systems the following illustrates the impact of variations to NDR:

Sensitivity Analysis			
Actual NDR achieved in 2013/14 (relative to NDR Baseline)	Start-Up Funding Allocation (£000’s)	Actual Funding (£000’s)	Difference in Funding
Baseline NDR +3%	5,376	5,621	4.55%
Baseline NDR +2%	5,376	5,539	3.03%
Baseline NDR +1%	5,376	5,458	1.52%
Baseline NDR	5,376	5,376	0.00%
Baseline NDR - 1%	5,376	5,215	-3.00%
Baseline NDR - 2%	5,376	5,215	-3.00%
Baseline NDR - 3%	5,376	5,215	-3.00%

- 2.11 The Government proposes to carry out the ‘Safety Net and ‘Levy’ calculations after each year end.
- 2.12 The risk associated with this new funding regime has been recognised within the Council’s Medium Term Financial Strategy and a new Business Rates Equalisation Reserve has been established to mitigate any losses from the scheme (down to the safety net). In the past the Council’s business rates yield has fluctuated dramatically, largely due to the impact of some large businesses operating within the district.
- 2.13 That said, initial estimates for Selby suggest that additional receipts of circa £700k may be achieved in 2013/14 (after levy paid). At this stage this additional sum has not been included within the budget, instead additional receipts are to be set aside in the ‘Business Rates Equalisation Reserve’ to help offset any potential future losses until more experience of the scheme is gained. Should a positive position be

maintained then these sums could be available to support future spending plans.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

3.1.1 There are no legal implications as a result of this report.

3.2 Financial Issues

3.2.1 The financial implications are set out in the body of the report.

4. Background Documents

None

Contact Officer:

Karen Iveson
Executive Director

Public Session

Report Reference Number A/13/3

Agenda Item No: 9

To: Audit Committee
Date: 26 June 2013
Author: Keith Dawson, Director of Community Services

Title: Council Tax Rebilling

Summary:

The calculations for Council Tax 2013/14 contained an error and the bills sent out were incorrect. A number of issues were identified with the billing process that senior management has taken steps to address.

Recommendations:

To note the content of the report.

1. Introduction and background

- 1.1 Arrangements for the administration of Council Tax were audited earlier this year. The final audit report for Council Tax carried out by Veritau was published on 8 March 2013.
- 1.2 The scope of the audit included a check that Bills and demand notices are calculated and issued correctly.
- 1.3 The Key Findings identified that the Lead officer and staff in local taxation are experienced and have a good understanding of the risks and controls.
- 1.4 The Overall Conclusions found that the arrangements for managing risk were good with few weaknesses identified. The overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.
- 1.5 In relation to council tax for 2013/14 some local parishes were to receive a grant to reduce their precept and as such the amount they

charged to residents. In practice this presented a completely different way of calculating the Council Tax compared to previous years.

- 1.6 The grant, £160,000 for 2013/14, was apportioned by Local Taxation within Access Selby however the calculations for Council Tax did not take account of this grant and therefore the bills which were sent out were incorrect.

2. The Report

Management Actions

- 2.1 As soon as the error became apparent, Access Selby mobilised a number of key staff to deal with the situation as a matter of urgency.
- 2.2 Having considered the legal implications a decision was made to recalculate the precepts and CT and re-bill every resident.
- 2.3 It was also decided that for those paying by instalments the first payment would be delayed by one month, i.e. first payment due May instead of April.
- 2.4 The rebilling project resulted in new bills being sent out within the agreed timescales and without further error.
- 2.5 As soon as the original error was identified, senior management engaged Veritau to carry out an audit into the billing process. The Objectives and Scope of the Audit were as follows:

As a result of errors in the calculation of Council Tax bills for the year 2013/14 Veritau were asked to review the billing process and highlight the expected controls to prevent recurrence of the "error" in future years. Veritau were not asked look at how or why the error occurred in the first instance.

- 2.6 The Key Findings were as follows:

There is a lack of detailed procedure notes with staff relying on the experience and knowledge gained from previous years.

In this year's calculation a new element, the grant, was introduced and this was not included in the calculations of the final bills.

- 2.7 As soon as the rebilling process was completed, senior management instigated an internal investigation into what caused the error.
- 2.8 The investigation included a series of interviews and the remit was:
 1. To establish officers understanding of the whole process;
 2. To identify what really happened – was the process followed correctly or were there operational flaws;

3. To understand the control/check points in place;
 4. To understand why these control points (if existing) failed.
- 2.9 In identifying relatively early on that it was the failure to incorporate the grant which caused the error, the Investigation also looked at how this was communicated to the relevant teams and what if any mechanisms there were in the process for dealing with change.
- 2.10 There were two errors in the billing process which were the subject of investigation. The first is that the date on the actual bill was incorrect. The second was the miscalculation of the precept figures for the parish councils which led to incorrect council tax bills being sent out.
- 2.11 A number of control issues were identified that senior management has now taken steps to address. When considered along with the process of rebilling, the investigation has highlighted lessons to be learnt not only for future Council Tax billing but also to influence how Access Selby works together on key projects and new initiatives.
- 2.12 One of the key lessons is the benefit of the wider use of the project management approach to major projects and initiatives. We now have examples of where we have taken this more robust approach and to assist key officers we have invested in a training and development programme to develop project management skills.
- 2.13 To mitigate the risk for future billing, we have written procedures in place so everyone involved in the process is clear on expectations. We have instigated more robust project management working with clear leads and accountabilities. Someone will take responsibility for leading the programme as a whole.
- 2.14 The investigation came to the following recommendations:

Organisational

- A senior officer is appointed as Process Leader and is responsible for co-ordinating the process across the 3 teams and is also responsible for final sign-off of the CT Billing report prior to presentation to full Council.

Procedural

- A documented procedure for the Council Tax Billing process is developed immediately, and specifically includes stages requiring formal checks and sign-offs by key stakeholders (suggested Lead Officers).
- Council Tax Billing is included in the Access Selby Risk Register to ensure the risk of a re-occurrence is managed.

- A formal hand over process is instigated between the different process teams, co-ordinated by the Process Leader with clearly documented action plans and anything the next stage needs to be aware of.
- A final sign off meeting is attended by all stakeholders to review the proposed report prior to presentation to Council.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

None contained in report.

3.2 Financial Issues

None contained in report.

4. Conclusion

- 4.1 A number of issues were identified with the 2013/14 Council Tax billing process that senior management has taken steps to address.

5. Background Documents

None

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Public Session

Report Reference Number A/13/4

Agenda Item No: 10

To: Audit Committee
Date: 26 June 2013
Author: Roman Pronyszyn, Client Relationship Manager; VNY
Lead Officer: Karen Iveson; Executive Director (s151 Officer)

Title: Annual Review of the Audit Vision & Charter (Internal Audit Terms of Reference)

Summary:

The purpose of the report is to present the Annual Review of the Audit Vision and Charter 2013/14.

Recommendations:

It is recommended that the attached report for 2013/14 be approved.

Reasons for recommendation

It is recommended that the report is considered by the Audit Committee as it summarises the terms of reference for internal audit.

1. Introduction and background

1.1 The Accounts and Audit Regulations 2011 require all Councils to provide an adequate and effective Internal Audit function. This is further expanded upon in the Public Sector Internal Audit Standards (mandatory for all public sector bodies from 1 April 2013), and the Local Government Application Note issued by CIPFA and the CIAA.

2. The Report

2.1. The standards specify that the Vision and Charter should be reviewed regularly and approved by senior management and the Board. Within SDC, the Audit Committee is regarded as the appropriate Board. The existing Vision and Charter has been reviewed and amended to ensure it complies with the PSIAS. The revised Vision and Charter is attached at **Appendix 1**.

2.2. Legal/Financial Controls and other Policy matters

2.3. Legal Issues

(a.) None.

2.4. Financial Issues

(a.) None.

3. Conclusion

4.1 Having regard to this report, the proposed Internal Audit Vision & Charter should give sufficient assurance to the Council that the internal audit service delivered by Veritau will comply with the revised standards.

4. Background Documents

Contact Officer: Roman Pronyszyn; Client Relationship Manager; Veritau
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Appendices: - Selby District Council Audit Vision & Charter

SELBY DISTRICT COUNCIL

AUDIT VISION & CHARTER

REQUIREMENT FOR INTERNAL AUDIT

1. The Accounts and Audit Regulations 2011

Part 2 of these regulations specifically requires: -

“ 6. (1) A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”

2 Vision

Selby District Council requires a high quality internal audit service which will provide an independent opinion on the effectiveness of review of the Council's risk management, governance and systems of internal control. In doing so, the Internal Audit service will promote economy, efficiency and effectiveness.

3 Provided by: -

To achieve this, the Council entered into a Partnership Agreement with Veritau North Yorkshire Ltd, to provide Internal Audit services to Selby, and 4 other District Councils in North Yorkshire.

TERMS OF REFERENCE

4 Introduction

4.1 This document sets out the purpose, authority and responsibilities of Internal Audit.

4.2 The requirement for an authority to have an internal audit function is set out in the Accounts and Audit (England) Regulations 2011. The standards appropriate to the practice of internal audit are defined in the Public Sector Internal Audit Standards (PSIAS) issued by the relevant Internal Audit Standard Setters in April 2013. These are supplemented by a local government application note issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in collaboration with the Chartered Institute of Internal Auditors (CIIA).

5.0 Objectives

5.1 The PSIAS defines internal auditing as:

"...an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes"

5.2 In addition, Internal Audit will: –

- contribute to the management aim of maintaining an effective and well-managed authority and support the achievement of the Council's key priorities by recommending improvements in control, performance and productivity
- support the Executive Director (S151 Officer) in the discharge of her statutory S.151 responsibilities as the Chief Finance Officer
- advise the Executive Director on the relevant counter fraud and corruption measures to be taken in the Counter Fraud Strategy
- lead investigations into allegations of fraud, corruption and irregularity in accordance with the Council's Financial Procedure Rules and the Counter Fraud Strategy
- provide advice and support to ensure sound systems of control throughout the Council
- support and advise the appropriate Directors on Information Governance matters

6.0 Scope

6.1 The scope of Internal Audit's remit includes the Council's entire control environment, which comprises the policies, procedures and operations in place to: -

- establish and monitor the achievement of the Council's key priorities
- identify, assess and manage the risks to achieving the Council's key priorities
- facilitate policy and decision making
- ensure the economical, effective and efficient use of resources
- ensure the continued delivery of high quality services and the achievement of required outcomes
- ensure compliance with established policies, procedures, laws and regulations
- safeguard the Council's assets and interests from all possible losses, including those arising from fraud, irregularity or corruption
- ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes

6.2 This does not imply that all systems will be subject to review, but that all systems and activities will be included in the risk based audit planning process and be considered for review. In doing so, account will be taken of other assurance and monitoring arrangements which may be in place.

6.3 The scope of Internal Audit work also includes providing assurance on: –

- services provided by the Council on behalf of other organisations
- services provided by other organisations on behalf of the Council

6.4 Internal Audit may also undertake special reviews, consultancy, and fraud related work, as well as provide assistance to projects, etc, as requested by management.

Prior to the commencement of any such work consideration will be given to the possible impact on the Audit Plan and the ability of the company to maintain its objectivity and independence. Such work will therefore be agreed with the Executive Director to ensure that it does not compromise Internal Audit independence.

7.0 Authority

7.1 The requirement for internal audit is set out in legislation. Section 151 of the Local Government Act 1972, requires that authorities “make arrangements for the proper administration of their financial affairs”.

7.2 The Accounts and Audit Regulations 2011 more specifically require that: -

“ 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”.

7.3 The Council has given Internal Audit, through its Financial Procedure Rules, the authority to: –

- enter at all reasonable times on any Council premises or land
- have access to all records, documents and correspondence relating to any matter or business of the Council
- require and receive such explanations as considered necessary concerning any matter under examination
- require any employee of the Council to produce cash, stores or any other Council property under their control
- report uncensored to any Director, the Monitoring Officer, the Chief Executive, Committee, the Executive or the Council as considered necessary.

7.4 Additionally, where relevant, appropriate access rights will be negotiated and included in contracts and service level agreements to ensure Internal Audit has the right of access to the accounts, records and all other documentation in relation to the Council’s transactions, and is entitled to seek and receive explanations from officers of the partner/funded organisation regarding the Council’s transactions.

8.0 Independence

8.1 Internal Audit is an independent assurance function, and as such has direct access to and can report uncensored as considered necessary to: -

- the Council, Executive or any Committee
- Chief Executive
- Executive Director (S151 Officer)

- Managing Director of Access Selby
- all other Directors
- the Monitoring Officer
- Senior Managers

8.2 Internal Audit services are provided under contract to the Council by Veritau North Yorkshire Limited (part of the Veritau group). The company is a separate legal entity. Staff undertaking internal audit work are either contracted to or employed by Veritau.

8.3 All Veritau staff will act with due professional care ensuring that they are fair and objective, free from any conflicts of interest and abide by professional standards and guidelines as issued by relevant professional institutions and the Public Sector Internal Audit Standards

9.0 Responsibilities

9.1 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The Council is responsible for conducting, at least annually, a review of the effectiveness of the system of internal control – this is led by the Audit Committee.

9.2 Internal Audit undertakes an important role in advising the Council that these arrangements are in place and operating properly. In order to provide this assurance, the Head of Internal Audit will provide annually, a formal opinion on the adequacy of the Council's systems of internal control, to support and inform the Annual Governance Statement.

9.3 To provide an opinion on the Council's systems of internal control Internal Audit will:

- maintain a strategy for delivering an internal audit service to meet these terms of reference including audit resources required and their allocation
- in discussion with Business Units, prepare and deliver a risk based Audit Plan, taking account of the Council's risk management processes. The Plan will be kept under review in any one year to reflect changing priorities and emerging risks
- plan, manage and carry out audits in accordance with the standards set out in the PSIAS, the local government practice note and the company's internal operating procedures, to ensure that work is undertaken with due professional care
- maintain good relationships with managers, partners, external audit and other review agencies
- ensure staff are competent, provided with appropriate training and professional development
- provide advice on internal control matters
- lead or advise as appropriate, investigations into allegations of fraud, corruption and irregularity

- ensure an effective and efficient internal audit service is provided to the Council through performance management, monitoring and benchmarking

9.4 Ultimate responsibility for ensuring that internal controls throughout the Council are adequate and effective rests with management and not Internal Audit. Managers are responsible for establishing effective arrangements for internal control, ensuring compliance with all applicable statutes and regulations, and for ensuring that public funds are properly safeguarded and used economically, efficiently and effectively.

9.5 Managing the risk of fraud and corruption is also the responsibility of management. Audit reviews alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal Audit does not have responsibility for the prevention and detection of fraud and corruption, however Veritau staff will be alert in all their work to risks and exposures that could allow fraud or corruption to occur. The roles and responsibilities of management and Internal Audit in the investigation of allegations of fraud and corruption are set out in the Council's Counter Fraud Strategy.

10.0 Internal Audit Resources

10.1 The number of internal audit staff employed by Veritau will be kept under review to ensure that the company can deliver the agreed Audit Plan and provide the assurances required by those charged with governance and necessary for the preparation of the Annual Governance Statement. Where appropriate specialist skills will be procured to assist with an audit or investigation, should these be required.

10.2 The Council has a duty to provide sufficient resources to allow an adequate and effective internal audit service to be provided. Where it is felt that the resources are inadequate to meet internal audit objectives, the Chief Audit Executive (Head of Internal Audit) will formally report this to the Executive Director and the Audit Committee.

11.0 Audit Committee

11.1 Internal Audit is an assurance function and therefore must report to those charged with governance. The Audit Committee fulfils this role for the Council.

11.2 The Head of Internal Audit and/or his or her appointed deputy will attend all meetings of the Audit Committee.

11.3 In order that the Audit Committee and Internal Audit can meet their objectives, the following reports will be received from the Head of Internal Audit and considered by the Audit Committee:–

- Vision and Charter for Internal Audit
- Internal Audit Strategy and Plan
- Progress against the Audit Plan
- Annual report and opinion on the overall adequacy and effectiveness of the Council's internal control environment.

11.4 The Head of Internal Audit will maintain effective working relationship with the Audit Committee and assist the Committee in its own review of its remit and effectiveness. The Head of Internal Audit (or his deputy) will meet privately with the Audit Committee at least once a year.

12.0 Reporting

12.1 A report will be produced on each assignment (and fraud investigation) giving an opinion on the system of internal control under examination, making recommendations to improve control and where appropriate improve performance and productivity.

12.2 Internal Audit will seek a management response to work undertaken and follow up on management action arising from audit work undertaken. However, responsibility for acting on the advice and recommendations of Internal Audit rests with management, who can either accept and implement the recommendations or formally reject them.

12.3 Audit advice and recommendations are given without prejudice to the right of Internal Audit to review the relevant policies, procedures and operations at a later date.

13.0 Quality Assurance Arrangements

Quality Control

13.1 Veritau will maintain appropriate quality control arrangements to ensure that internal audit work is undertaken to necessary professional standards. These arrangements include:-

- agreeing a specification for planned audit work with the relevant managers
- documenting audit work performed using the company's automated working papers
- file review by an Audit Manager

Quality File Review

13.2 On an ongoing basis, a sample of completed audit files will be separately reviewed by the Client Relationship Manager (or equivalent) to confirm quality standards are being maintained. A record of any issues or recommended improvements will be kept.

13.3 A formal report will be sent to the Head of Internal Audit at the end of each year, detailing the results of quality file reviews completed and making any recommendations for improvements in working practices.

14. Review

14.1 This Vision and Charter will be reviewed annually and any amendments will be submitted to the Audit Committee for approval.

Report Reference Number: A/13/5

Agenda Item No: 12

To: Audit Committee
Date: 25 June 2013
Author: Palbinder Mann, Democratic Services Officer
Lead Officer: Karen Iveson, Executive Director (S151)

Title: Selby District Council Mazars Audit Progress Report

Summary: The attached reports update the Audit Committee on the progress of Mazars in meeting its responsibilities as the Council's external auditor. They also highlight key emerging national issues and developments which may be of interest to the Committee.

Recommendation:

That the Committee note the update and provide any comments

Reason for recommendation

To ensure the external auditor is meeting their responsibilities

1. Introduction and background

1.1 Mazars is the external auditor of Selby District Council and provides a Audit Progress Report to each meeting of the Audit Committee.

2. The Report

2.1 Within the attached presentation there is a summary of the audit progress by Mazars, the external auditor of the Council.

2.2 Also attached at Appendix 1, is the response from management with regard to understanding management processes and arrangements.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

N/A

3.2 Financial Issues

N/A

4. Conclusion

That the Committee assess the progress made by Mazars in meetings its responsibilities as the Council's external auditor

5. Background Documents

Contact Officer: *Palbinder Mann*
Democratic Services Officer
Selby District Council
pmann@selby.gov.uk
x2207

Appendices:

Appendix A – Response from Management, Understanding your management processes and arrangements

Appendix B – Committee Presentation

Appendix 1, Response from Management, Understanding your management processes and arrangements



Please ask for: Mr M Connor
Direct Dial No: 01757 292001
Email: adavison@selby.gov.uk

Your Ref:
Our Ref: KI

31 May 2013

Gavin Barker, Senior Manager
Mazars LLP
The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

Dear Gavin

As requested I set out our management arrangements and processes in relation to the following questions:

1) What are the management processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);

The assessment of risk of material misstatement of the financial statements due to fraud is undertaken in light of the robust internal control and governance framework in place within the Council. Such risk is considered as part of the Council's corporate risk assessment process which is the responsibility of Corporate Management Team and reviewed by the Council's Audit Committee and Access Selby Board.

- identifying and responding to risks of fraud in the authority, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;

The Council's approach to communicating, identifying and responding to risks of fraud is set out in the Anti Fraud, Theft and Corruption Policy Statement and Strategy, and the Whistleblowing Policy, which are available under "Fraud" on our website. A 'Counter Fraud Annual Report' was considered by the Council's Audit Committee (on 26 September 2012) and the responsibilities of individual members of staff and councillors are set out in the respective codes of conduct.

- communicating to employees its views on business practice and ethical behaviour (for example by updating, communicating and monitoring against the authority code of conduct);

The Council's Employees Code of Conduct is set out in Part 5 of the Council's Constitution which was comprehensively reviewed and revised as part of the move to a Leader and Cabinet form of governance in May 2011. Disciplinary action is and has been taken against staff who fail to adhere to the standards of behaviour set out in the authority's code of conduct. Furthermore the Council has established a set of 'Core Values' which capture the behaviours and set the tone for the high expectations we have of all our people. These Values form an important part of the 'Performance Contracts' we have with individual staff members and feature throughout the suite of corporate training required by managers and staff.

- communicating to the Council (i.e. those charged with governance) the processes for identifying and responding to fraud or error.

Training for councillors on fraud awareness was delivered in February 2012 by Internal Audit. The risk of fraud or error is contained within the Council's risk register which has been reviewed by the Audit Committee twice during the year.

2) Are you aware of any breaches of internal control during 2012-13?

I am not aware of any significant breaches of internal control during 2012/13. A number of internal audit reports have identified issues during the year but actions have either been taken to remedy these issues or plans are in place to deal with them to timescales agreed with Internal Audit, such details are contained with the Annual Governance Statement where considered necessary.

3) How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2012-13?

Management gain assurance that all relevant laws and regulations have been complied with through the work of the Corporate Management Team, which in turn is supported by service professionals and corresponding professional bodies (such as CIPFA). All reports to councillors identify legal and financial issues where necessary and compliance is also assured through the governance and internal control framework including the work of internal audit. I am not aware of any instances of non-compliance during 2012/13.

4) Are there any actual or potential litigation or claims that would affect the financial statements?

Details of potential for litigation and claims that would affect the financial statements are provided by senior managers as part of the final accounts process and such issues are disclosed as appropriate to their nature – evidence of the communications will be available from Jodie Taylor, the Council's Financial Services Manager, in due course. I am currently aware of a number of planning issues that may give rise to future claims and these will be quantified as part of the final accounts process where possible and appropriately disclosed in the financial statements, following consultation with the Chief Finance Officer; the Council's Monitoring Officer, the Solicitor to the Council and the Financial Services Manager.

5) What controls do you have in place to: identify; authorise; approve; account for; and disclose, related party transactions and relationships. For any new related parties (i.e. any not already disclosed in your year end 31.3.12 audited financial statements) please provide a list of them, explain their nature, and whether you have entered into any transactions with these related parties during the year to 31 March 2013 so far.

Related party transactions are identified through disclosure by individual councillors and officers. Councillors and senior officers are requested to declare such relationships as part of the final accounts process and evidence of these declarations forms part of the Council's supporting working papers that are available for inspection by External Audit. Detailed work on disclosures for 2012/13 is still in progress and will be made available to you as part of your final accounts audit work.

In addition to the above questions about management processes and controls, I include my response to the questions raised about fraud – these are attached at Appendix 1 to this letter.

I trust this gives you the assurance you need but if you require any further details please let me know.

Yours sincerely

Martin Connor
Chief Executive

Appendix 1

No	Questions for management	Management's response
1	Are you aware of any instances of actual, suspected or alleged fraud, either within Selby District Council as a whole or within your department during the period 1 April 2012 – 31 March 2013?	No
2	<p>Do you suspect fraud may be occurring, either within Selby District Council or within your department?</p> <ul style="list-style-type: none"> ➤ Have you identified any specific fraud risks within Selby District Council/your department? ➤ Do you have any concerns that there are areas within your department or Selby District Council that are at risk of fraud? ➤ Are there particular locations within Selby District Council where fraud is more likely to occur? 	<p>No</p> <p>Nothing beyond those risks already identified within our control systems.</p> <p>I am aware that there is risk of fraud but I am not particularly concerned as I am satisfied we have adequate arrangements for prevention and detection in place.</p> <p>There are no particular locations where fraud is more likely to occur.</p>
3	<p>Are you satisfied that internal controls, including segregation of duties, exist and work effectively?</p> <ul style="list-style-type: none"> ➤ If not where are the risk areas? ➤ What other controls are in place to help prevent, deter or detect fraud? 	Yes
4	<p>How do you encourage staff to report their concerns about fraud?</p> <ul style="list-style-type: none"> ➤ What concerns about fraud are staff expected to report? 	<p>Through the work of internal audit and our whistleblowing policy.</p> <p>We encourage staff to report anything that they find suspicious.</p>
5	<p>From a fraud and corruption perspective, what are considered to be high risk posts within your area of responsibility?</p> <ul style="list-style-type: none"> ➤ How are the risks relating to these posts identified, assessed and managed? 	<p>Senior management, finance, legal.</p> <p>Through delegations and segregation of decision making. Certain posts are also required to have an enhanced CRB disclosure (CFO for example)</p>
6	<p>Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <ul style="list-style-type: none"> ➤ How do you mitigate the risks associated with fraud related to related party relationships and transactions? 	<p>No</p> <p>Members and officers are required to disclose related party relationships and transactions and decision makers are required to</p>

		disclose interests at the beginning of all meetings and if required to remove themselves from taking part in any related decisions.
7	<p>Are you aware of any entries made in the accounting records of Selby District Council that you believe or suspect are false or intentionally misleading?</p> <ul style="list-style-type: none"> ➤ Are there particular balances where fraud is more likely to occur? ➤ Are you aware of any assets, liabilities or transactions that you believe were improperly included or omitted from the accounts of Selby District Council? ➤ Could a false accounting entry escape detection? If so, how? ➤ Are there any external fraud risk factors which are high risk of fraud? 	<p>No</p> <p>As a generalisation – assets, stock, creditors. No</p> <p>Control systems are in place to prevent and detect such issues. Treasury management is an area which is at risk from external fraud – the Council maintains its counterparty list based on the latest information available from its Treasury Management Advisors and considers its spread of investments to manage and mitigate such risk.</p>
8	<p>Are you aware of any organisational, or management pressure to meet financial or operating targets?</p> <ul style="list-style-type: none"> ➤ Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets? 	<p>Like any other public sector organisation, the Council is working within financial and resource constraints.</p> <p>No</p>

**Appendix 2, Response from the Chair of the
Audit Committee, Understanding how those
charged with governance gain assurance from
management**

17 June 2013

Gavin Barker, Senior Manager
Mazars LLP
The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

Dear Gavin

Audit of Selby District Council's financial statements for the year ended 31 March 2013 – understanding how those charged with governance gain assurance from management

1) As requested I set out below, how I exercise oversight of management's processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);

Such risk is covered as part of the Council's risk management processes. The Audit Committee review the Council's approach to risk management on an annual basis and review the Corporate Risk Registers twice each year, to ensure arrangements and actions to understand and mitigate risks are being progressed. We also exercise our right to call responsible officers to account if we have concerns or wish to have more information on particular risks.

- identifying and responding to risks of fraud in the authority, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;

The Audit Committee oversee the Council's arrangements for identifying and responding to risks of fraud through the 'Counter Fraud Annual Report' which was considered by the Audit Committee on 26 September 2012.

- communicating to employees its views on business practice and ethical behaviour (for example by updating, communicating and monitoring against the authority code of conduct);

The Council's Employees Code of Conduct is set out in Part 5 of the Council's Constitution which was comprehensively reviewed and revised as part of the move to a Leader and Cabinet form of governance in May 2011. Disciplinary action is and has been taken against staff who fail to adhere to the standards of behaviour set out in the authority's code of conduct.

- communicating to the Council (i.e. those charged with governance) the processes for identifying and responding to fraud or error.

Training for councillors on fraud awareness was delivered in February 2012 by Internal Audit. The risk of fraud or error is contained within the Council's risk register which has been reviewed by the Audit Committee twice during the year.

2) The following sets out how I oversee management arrangements for identifying and responding to the risk of fraud and possible breaches of internal control.

The Audit Committee receives and approves the Internal Audit Plan for the year which is formulated using a risk based approach. The committee also approves its own Work Programme to ensure coverage of the key areas of internal control (for example review of the risk management processes, internal audit activity, external audit activity, counter fraud work etc).

A number of internal audit reports have identified issues during the year and the Audit Committee has scrutinised these issues as it felt appropriate. I am satisfied that actions have either been taken to remedy these issues or plans are in place to deal with them to timescales agreed with Internal Audit. In addition the Audit Committee approve the Annual Governance Statement and an interim progress update on any outstanding actions is provided to the committee during the year.

I am not aware of any significant breaches of internal control during 2012/13. Those weakness identified through the work of internal audit have been reported to the committee and I am satisfied with the actions agreed and progress against them.

3) How do I gain assurance that all relevant laws and regulations have been complied with? Am I aware of any instances of non-compliance during 2012-13? Am I aware of any breaches of internal control during 2012/13?

I gain assurance through management that all relevant laws and regulations have been complied with through the work of the Corporate Management Team, which in turn is supported by service professionals and corresponding professional bodies (such as CIPFA). All reports to councillors identify legal and financial issues where necessary and compliance is also assured through the governance and internal control framework including the work of internal audit. I am not aware of any instances of non-compliance during 2012/13.

4) Are there any actual or potential litigation or claims that would affect the financial statements?

Details of potential for litigation and claims that would affect the financial statements are provided by senior managers as part of the final accounts process and such issues are brought to the attention of the Audit Committee as part of their scrutiny of the financial statements. I am not currently aware of any such claims that would affect the financial statements but would expect such matters to be disclosed as appropriate.

5) Have I carried out a preliminary assessment of the on-going concern assumption and if so have I identified any events which may cast significant doubt on Selby District Council's ability to continue as a going concern?

Financial viability is a risk identified within the Council's Corporate Risk register and mitigating actions are in place to ensure the Council has a sustainable budget going forward.

In addition to the above questions about management processes and controls, I include my response to the questions raised about fraud – these are attached at Appendix 1 to this letter.

I trust this gives you the assurance you need but if you require any further details please let me know.

Yours sincerely

Councillor Elizabeth Casling
Former Chair of Audit Committee
Selby District Council

APPENDIX

Appendix 1

No.	Questions for management	Management's response
1	Are you aware of any instances of actual, suspected or alleged fraud during the period 1 April 2012 – 31 March 2013?	No
2	<p>Do you suspect fraud may be occurring, either within Selby District Council?</p> <p>Have you identified any specific fraud risks within Selby District Council?</p> <p>Do you have any concerns that there are areas within Selby District Council that are at risk of fraud?</p> <p>Are there particular locations within Selby District Council where fraud is more likely to occur?</p>	<p>No</p> <p>No</p> <p>I am aware that there is risk of fraud but I am not particularly concerned as I am satisfied we have adequate arrangements for prevention and detection in place.</p> <p>Not that I am aware of.</p>
3	<p>Are you satisfied that internal controls, including segregation of duties, exist and work effectively?</p> <p>If not where are the risk areas?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p>	Yes

No.	Questions for management	Management's response
4	<p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns about fraud are staff expected to report?</p>	<p>By maintaining a focus on counter fraud work and through the work of internal audit and our whistleblowing policy.</p> <p>Anything that they find suspicious.</p>
5	<p>From a fraud and corruption perspective, what are considered to be high risk posts within Selby District Council?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Senior management, finance, legal.</p> <p>Through constitutional delegations and segregation of decision making.</p>
6	<p>Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No</p> <p>Members and officers are required to disclose related party relationships and transactions and decision makers are required to disclose interests at the beginning of all meetings and if required to remove themselves from taking part in any related decisions.</p>

No.	Questions for management	Management's response
7	<p>Are you aware of any entries made in the accounting records of Selby District Council that you believe or suspect are false or intentionally misleading?</p> <p>Are there particular balances where fraud is more likely to occur?</p> <p>Are you aware of any assets, liabilities or transactions that you believe were improperly included or omitted from the accounts of Selby District Council?</p> <p>Could a false accounting entry escape detection? If so, how?</p> <p>Are there any external fraud risk factors which are high risk of fraud?</p>	<p>No</p> <p>As a generalisation – assets, stock, creditors.</p> <p>No</p> <p>Control systems are in place to prevent and detect such issues.</p> <p>Treasury management is an area which is at risk from external fraud – the Council's arrangements for managing such activity is governed by its Treasury Management Strategy and policies.</p>
8	<p>Are you aware of any organisational, or management pressure to meet financial or operating targets?</p> <p>Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?</p>	<p>Like any other public sector organisation, the Council is working within financial and resource constraints.</p> <p>No</p>

Appendix 3, Audit Quality

Financial Reporting Council's Audit Quality Inspections Annual Report 2012/13

The Financial Reporting Council (FRC) recently published its 2012/13 annual report on the outcome of its audit quality inspections. The report includes an overall assessment of audit quality together with a number of key messages for audit committees and audit firms. In summary:

- There has been an improvement in the overall standard of audit work.
- The improvement is not even across firms and types of entities.
- Firms need to maintain their focus on professional scepticism and the effectiveness of their independence and ethical policies and procedures.

For 2012/13, Mazars LLP was not subject to the FRC's inspections having been reviewed in 2011/12.

However, there are some specific aspects of the FRC's report that the Audit Committee may wish to consider. In the table below, we have identified what we see as the key issues for the Audit Committee and the measures taken by Mazars in respect of these issues:

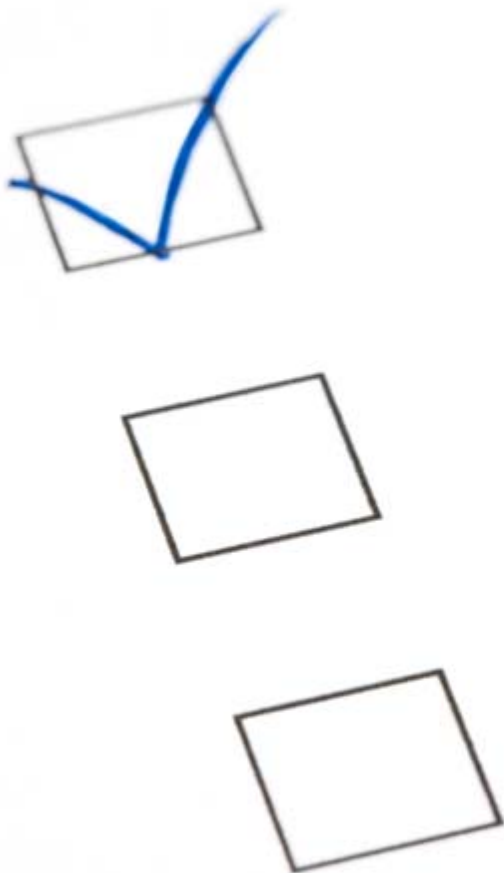
FRC issue/recommendation	Audit Committee consideration	Mazars approach
<p>Focus on audit quality Firms should have appropriate controls and procedures to ensure that audit efficiencies are not achieved at the expense of audit quality.</p>	<p>Where significant fee reductions have been proposed or agreed, carefully consider whether the overall level of work to be performed is likely to be sufficient to identify material misstatements and ensure that audit quality is not compromised.</p>	<p>Our audit approach complies with auditing standards and delivers efficiencies through the use of experienced staff, IT audit techniques, effective communication with management and finance staff and focusing on the risks of material misstatement.</p>
<p>Professional scepticism Firms should ensure further improvements and greater consistency in exercising sufficient professional scepticism.</p>	<p>Support and encourage a sceptical approach in the audit of areas of key judgement and ensure that auditors have access to all relevant information.</p>	<p>We have reported in our Audit Strategy Memorandum the areas of key judgements we have applied appropriate challenge to management, notably material accounting estimates.</p>

FRC issue/recommendation	Audit Committee consideration	Mazars approach
<p>Auditor independence and ethical issues Firms should review the adequacy of their independence and ethical procedures and the training that they provide to staff at all levels.</p>	<p>Seek additional independence information where appropriate and challenge firms to demonstrate their independence, both in substance and form.</p>	<p>All staff must annually make an independence declaration and attend training on independence and ethics. We share promptly with management and the Audit Committee any perceived or actual threats to our independence and put in place safeguards where appropriate. We report these formally and openly in our Audit Strategy Memorandum and Audit Closure Memorandum.</p>
<p>Audit quality monitoring Firms should reconsider the robustness of their monitoring processes and the extent to which they contribute to an improvement in overall audit quality.</p>	<p>Ask the firm whether their audit has been reviewed by the firm's internal monitoring processes and, if so, what the main lessons learnt were; how the findings compare with the FRC's inspection findings and what actions the firm has taken to address the issues identified.</p>	<p>2012/13 was the first year of the firm's appointment as your auditor. The firm has a number of quality processes in place including Independent Partner review, file reviews, technical reviews of accounts. Specific reviews are risk based. Although the Selby District Council audit is not planned for specific file review, the work of the audit team will be reviewed on other engagements and any learning will be taken into account on the Selby District Council audit, either in terms of audit approach or file documentation.</p>

Selby District Council

Audit Progress Report

June 2013



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- 01 Purpose of this paper
- 02 Summary of audit progress
- 03 Emerging issues and developments
- 04 Contact details

Appendix 1, Response from Management, Understanding your management processes and arrangements

Appendix 2, Response from the Chair of the Audit Committee, Understanding how those charged with governance gain assurance from management

Appendix 3, Audit Quality

Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, the international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England with registered number OC308299.

01



Purpose of this paper

This paper updates the Audit Committee on our progress in meeting our responsibilities as your external auditor. It also highlights key emerging national issues and developments which may be of interest to you.

If you require any further information please contact your Engagement Lead or Senior Manager using the contact details at the end of this update.

Finally, please note the website address www.mazars.co.uk which sets out the range of work Mazars carries out across the UK public sector. It also details the wider services provided within the UK and abroad.

02

Summary of audit progress



Good progress on the 2012/13 audit has continued.

Interim work

- We have almost completed our initial substantive testing on income and expenditure up to the end of January 2013 and this will be topped up with coverage of the final part of the year in our final accounts work.
- We identified two errors in payroll transactions, but we found that they had already been picked up and corrected by officers.
- We have a good understanding of your governance arrangements but each year we write to you to formally update our understanding in accordance with auditing standards.
- We have received the attached letters from the Chief Executive (on behalf of management) and the former Chair of the Audit Committee (Chair during 2012/13, on behalf of those charged with governance) – see Appendices 1 and 2.
- We have reviewed the responses and have no further questions to raise at this stage of the audit.

The financial statements

- We maintained a dialogue with officers as they prepared your financial statements. This has included discussing emerging technical issues and acting as a sounding board for proposed accounting treatments.
- We have found that officers have adopted a thorough and professional approach towards the preparation of the accounts.
- We reviewed an early draft of the accounts and provided feedback (this was a brief review based on a read through of the accounts and can not be expected to identify all issues that might arise).
- This process has operated well, and is designed to avoid difficulties during the later stages of the audit.

VFM conclusion

- We have completed our initial assessment of the Council's arrangements for value for money, focusing on financial resilience and arrangements to secure economy, efficiency and effectiveness.
- We have reviewed VFM profiles, the Council's financial position and the projects designed to promote future savings and improvements in service delivery, including the collaboration agreement with North Yorkshire County Council, development of the housing trust and the re-provision of the Abbey Leisure Centre. All of these provided positive evidence for the VFM conclusion.

03

Emerging issues and developments



The following pages outline some significant emerging issues and developments that Members and officers will be considering over the coming months.

- A Practical Guide for Local Authorities on Income Generation (2013 Edition), CIPFA
- National Fraud Initiative, Audit Commission, March 2013
- Public Sector Internal Audit Standards, CIPFA, April 2013
- Local Audit and Accountability Bill, May 2013
- Audit quality, recent Financial Reporting Council report on audit quality together with a number of key messages for audit committees and audit firms

Emerging issues and developments

Issue / development

A Practical Guide for Local Authorities on Income Generation (2013 Edition), CIPFA

CIPFA have published an update of their guide on income generation, which is aimed at helping local authorities to make the most of their fees and charges potential. It provides a full update of the charging opportunities available as at January 2013, reflecting recent legislation and regulations.

National Fraud Initiative, Audit Commission, March 2013

This data matching exercise is mandatory for all local government and health bodies and is undertaken every two years, with the Audit Commission reporting the results of these matches at the end of each cycle.

The outcomes, in England, from the most recent exercise include the prevention and detection of £103 million pension overpayments, £79 million council tax single person discounts incorrectly awarded and £42 million housing benefit overpayments. Others include:

- 164 employees identified as having no right to work in the UK;
- 321 false applications removed from housing waiting lists;
- 1,031 prosecutions, 921 of them for housing benefit fraud; and
- 32,633 blue badges and 52,635 concessionary travel passes cancelled.

The next NFI report is due in June 2014.

Emerging issues and developments

Issue / development

Public Sector Internal Audit Standards, CIPFA, April 2013

On 1 April 2013 a common set of standards came into effect for Internal Audit across the UK public sector. The Public Sector Internal Audit Standards (PSIAS) apply the mandatory elements of the Institute of Internal Auditors (IIA) International Standards.

Adoption of a consistent framework is designed to bring benefits for partnership working and working across the different parts of the public sector. The standards are also designed to drive improvement, leading to better public financial management. The new standards replace the existing ones in local government, central government and the NHS.

Local Audit and Accountability Bill, May 2013

The effect of the Local Audit and Accountability Bill is to abolish the Audit Commission and to establish new arrangements for the audit and accountability of local public bodies in England.

The bill also confirms proposal for Local Authorities to appoint their own external auditor in future on the recommendation of an independent appointment panel, but no date as yet has been specified for when this is likely to come into effect and further guidance is likely to support its implementation.

The Bill also amends the legislative framework for council tax referendums and provides for measures which can ensure local authority compliance with the Code of Recommended Practice on Local Authority Publicity.

Emerging issues and developments

Issue / development

Audit quality

The Financial Reporting Council (FRC) recently published its 2012/13 annual report on the outcome of its audit quality inspections. The report includes an overall assessment of audit quality together with a number of key messages for audit committees and audit firms.

In summary:

- There has been an improvement in the overall standard of audit work.
- The improvement is not even across firms and types of entities.
- Firms need to maintain their focus on professional scepticism and the effectiveness of their independence and ethical policies and procedures.

For 2012/13, Mazars LLP was not subject to the FRC's inspections having been reviewed in 2011/12.

However, there are some specific aspects of the FRC's report that the Audit Committee may wish to consider. In Appendix 3, we have identified what we see as the key issues for the Audit Committee and the measures taken by Mazars in respect of these issues.

04

Contact details



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Audit Committee Work Programme 2013/14

Date of Meeting	Topic	Action Required
26 June 2013	<u>Committee Requested Item</u> Introduction to the Audit Committee	
	<u>Committee Requested Item</u> Time of Meetings	To agree start time of Audit Committee meetings for 2013/14
	<u>Committee Requested Item</u> Audit Committee work programme 2013/14	To consider the Committee's Work Programme for the year ahead.
	<u>Committee Requested Item</u> Internal Audit Annual Report 2012/13	To consider the Internal Audit Annual Report for 2012/13.
	<u>Committee Requested Item</u> Localised Business Rates	To consider the new funding regime in respect of localised Business Rates
	<u>Committee Requested Item</u> Risk Management Annual Report	To consider the Risk Management Annual Report for 2012/13
	<u>Committee Requested Item</u> Review of the Corporate Risk Register	To review the latest Corporate Risk Register

	<p><u>Committee Requested Item</u></p> <p>Review of the Access Selby Risk Register</p>	To review the latest Access Selby Risk Register
25 September 2013	<p><u>Committee Requested Item</u></p> <p>Statement of Accounts (post audit)</p>	To approve the Statement of Accounts
	<p><u>Committee Requested Item</u></p> <p>Annual Governance Statement</p>	To approve the Annual Governance Statement
	<p><u>Committee Requested Item</u></p> <p>Audit Commission's Annual Governance Report and Opinion on the Financial Statements</p>	To receive the Audit Commission's Annual Governance Report and opinion on Financial Statements
	<p><u>Committee Requested Item</u></p> <p>Counter Fraud Annual Report</p>	To review the Counter Fraud Annual Report
	<p><u>Committee Requested Item</u></p> <p>Internal Audit Quarter 1+Report 2013/14</p>	To review progress against the Internal Audit Plan

15 January 2014	<u>Committee Requested Item</u> Annual Governance Statement – Action Plan Review	To review progress against the AGS Action Plan
	<u>Committee Requested Item</u> Internal Audit Quarter 2+ Report 2013/14	To review progress against the Internal Audit Plan
	<u>Committee Requested Item</u> Annual Audit Letter	To receive the Audit Commission’s report on the 2012/13 Audit and Value for Money conclusion
	<u>Committee Requested Item</u> Review of Risk Management Strategy	To review the Risk Management Strategy
	<u>Committee Requested Item</u> Review of the Corporate Risk Register	To review the latest Corporate Risk Register
	<u>Committee Requested Item</u> Review of the Access Selby Risk Register	To review the latest Access Selby Risk Register
16 April 2014	<u>Committee Requested Item</u> Audit of Grant Claims & Returns 2012/13	To receive the Audit report

	<p><u>Committee Requested Item</u></p> <p>Annual Governance Statement – Action Plan Review</p>	<p>To review progress against the AGS Action Plan</p>
	<p><u>Committee Requested Item</u></p> <p>Internal Audit Quarter 3+ Report 2013/14</p>	<p>To review progress against the Internal Audit Plan for 2013/14</p>
	<p><u>Committee Requested Item</u></p> <p>Internal Charter, Terms of Reference and Audit Plan 2014/15</p>	<p>To approve the Internal Audit Plan 2014/15</p>
	<p><u>Committee Requested Item</u></p> <p>External Audit Work programme</p>	<p>To receive the Audit Commissions proposals for auditing the financial statements and value for money conclusions for 2013/14</p>
	<p><u>Committee Requested Item</u></p> <p>Accounts and Audit Regulation 6 Review</p>	<p>To review the Council's Regulation 6 procedures</p>
	<p><u>Committee Requested Item</u></p> <p>Audit Committee Annual Report 2013/14 and Work Programme 2014/15</p>	<p>To approve the 2013/14 Annual Report and the 2014/15 Work Programme for the committee</p>