



Meeting: **AUDIT COMMITTEE**
Date: **15 JANUARY 2014**
Time: **5.00PM (Pre-meeting training session at 4.00pm)**
Venue: **COMMITTEE ROOM**
To: **Councillors C Pearson (Chair), J Cattanach, Mrs D Davies,
M Dyson, Mrs C Mackman (Vice Chair), Mrs M McCartney,
Mrs W Nichols, I Nutt, Mrs S Ryder**

Agenda

NB: Please note that there will be a training session offered to Audit Committee Councillors covering the Role of the Audit Committee. This will take place prior to the meeting at 4.00pm in the Committee Room.

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 25 September 2013, pages 1 to 3 attached.

- 4. Chair's Address to the Audit Committee**
- 5. A/13/15 – Annual Governance Statement – Action Plan Review**

To receive the report of Executive Director (S151), pages 4 to 6 attached.
- 6. A/13/16 – Internal Audit Quarter 2+ Report 2013/14**

To receive the report of Executive Director (S151), pages 7 to 16 attached.
- 7. A/13/17 – Audit Annual Letter 2012/13**

To note the Annual letter from the external Auditors (Mazars), pages 17 to 31 attached as previously circulated to all members.
- 8. A/13/18 – Audit of Grant Claims & Returns 2012/13**

To receive the report of Audit Manager Mazars, pages 32 to 37 attached.
- 9. A/13/19 – External Audit Progress Report**

To receive the report of Audit Manager Mazars, pages 38 to 49 attached.
- 10. Review of Draft Work Programme 2014/15**

To consider the draft Work Programme for 2014 – 2015, pages 50 to 53 attached.
- 11. 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.
- 12. A/13/20 – Review of Risk Management Strategy**

To receive the report of Executive Director (S151), pages 54 to 70 attached.
- 13. A/13/21 – Review of Corporate Risk Register**

To receive the report of Executive Director (S151), pages 71 to 90 attached.

14. A/13/22 – Review of Access Selby Risk Register

To receive the report of Access Selby Director of Business Services, pages 91 to 101 attached.

Jonathan Lund
Deputy Chief Executive

Dates of next meetings
16 April 2014

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

Audit Committee

Venue: Committee Room

Date: 25 September 2013

Present: Councillor J Cattanach, Councillor M Dyson, Councillor Mrs C Mackman (Vice Chair), Councillor Mrs M McCartney, Councillor C Pearson (Chair) and Councillor Mrs S Ryder.

Apologies for Absence: Councillor Mrs W Nichols.

Officers Present: Roman Pronyszyn, Veritau; Gavin Barker, Mazars, Karen Iveson, Executive Director (S151); Jodie Taylor, Lead Officer – Finance and Richard Besley, Democratic Services

16. DECLARATIONS OF INTEREST

There were no declarations of interest.

17. MINUTES

RESOLVED:

To receive and approve the minutes of the Audit Committee held on 26 June 2013 and they are signed by the Chair.

18. CHAIR'S ADDRESS

The Chair welcomed councillors and officers and asked that Agenda Item 7 be brought forward as the first item of business.

19. A/13/12 – Audit Commission's Annual Governance Report and Opinion on the Financial Statements

Presented by Gavin Barker, Audit Manager - Mazars, the report sought to feedback the findings of the audit for the year ending 31 March 2013.

The Audit Manager described the audit as very positive and Mazars were issuing an unqualified opinion and concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

The Audit Manager confirmed that the Annual Governance Report has now been signed off and commented the report reflects well on the Council, highlighting their commitment to continuous improvement.

RESOLVED:

The report was noted.

20 A/13/10 – Annual Governance Statement 2012/13

The Executive Director (s151) presented the report for the Committee's approval which identified two areas for development which had been acted upon.

RESOLVED:

To receive and approve the report.

21. A/13/11 – Statement of Accounts (post audit)

The Executive Director (s151) presented the Statement of Accounts for the Committee's approval and highlighted the key issues and variances.

Questions were raised on Long Term/Short Term Investments. The Director confirmed that low interest rates had continued over the course of the year and there had been an increase in the number of short term investments placed in order to achieve the best possible terms within the Council's treasury management policies.

The impact of government cuts were evident from the accounts and the Director also confirmed that the Council is constantly monitoring the developments on further Government cuts to local authority grants and reaffirmed the Council's position on its use of reserves to manage financial commitments and risk and support delivery of its corporate objectives.

RESOLVED:

To receive and approve the report.

22. A/13/13 – Counter Fraud Annual Report

The Executive Director (S151) presented the report which outlined the Council's approach to counter fraud.

RESOLVED:

To receive the report and note the actions and outcomes in Appendices A & B.

23. A/13/14 – Internal Audit Quarter 1+ Report 2013/14

Roman Pronyszyn, Audit Manager at Veritau North Yorkshire, presented the Internal Audit Report for 2012/13. He informed the Committee that three internal audit reviews to Human Resources, Council House Sales – Right to Buy and Licencing Charges have been completed.

The Executive Director (s151) confirmed that a review of the costs relating to the administration of licencing is being carried out to ensure that fees are set to cover costs.

RESOLVED:

To receive and approve the report.

The meeting closed at 5:58pm



Report Reference Number: A/13/15

Agenda Item No: 5

To: Audit Committee
Date: 15 January 2013
Author: John Barnett; Audit Manager; VNY
Lead Officer: Karen Iveson; Executive Director (s151 Officer)

Title: Annual Governance Statement 2012/13 – Action Plan Review

Summary: To review progress on the Annual Governance Statement (AGS) 2012/13 Action Plan approved in September.

Recommendation:

It is recommended that the Action Plan for the Annual Governance Statement for 2012/13 be noted.

Reasons for recommendation:

The AGS had been completed in accordance with good practice and identifies a number of 'significant issues' that members considered. It was approved by the Audit Committee on 25 September 2013 and was signed by the Leader of the Council and the Chief Executive.

1. Introduction and background

- 1.1 Good governance is important to all involved in local government; however, it is a key responsibility of the Leader of the Council and of the Chief Executive.
- 1.2 The preparation and publication of an annual governance statement in accordance with the Cipfa/SOLACE Framework was necessary to meet the statutory requirements set out in Regulation 4(2) of the Accounts and Audit Regulations which requires authorities to "conduct a review at least once in a year of the effectiveness of its system of internal control" and to prepare a statement on internal control "in accordance with proper practices".
- 1.3 To meet the requirement to review the AGS an Action Plan has been agreed and is subject to half yearly review by the Audit Committee.

2. The Report

2.1 The present Action Plan for review is attached as Appendix A.

3. Legal/Financial Controls and other Policy matters

3.1. Legal Issues

None.

3.2. Financial Issues

None.

4. Conclusion

4.1. The AGS and scrutiny of the Action Plan represents progress towards setting the highest Corporate Governance standards and meets the requirements of the Accounts and Audit Regulations.

5. Background Documents

Contact Officer: *John Barnett; Audit Manager; Veritau North
Yorkshire;*
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01757/292281

Appendices: **Appendix A – AGS 2012/13 Action Plan**

Appendix A

Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
2012/13	<p>ICT 2011/12.</p> <p>Risks have been identified around disaster recovery, security and back-up arrangements. As IT is fundamental to the Council achieving its goals it is important that systems and processes are robust.</p>	Internal Audit report.	The IT Manager will ensure that agreed actions are implemented.	IT Manager	<p>May 2013</p> <p>Management have formulated and tested a Disaster Recovery Plan with Craven DC and are working towards an approved Business Continuity Plan – deadline August 2013.</p> <p><i>A Business Impact Assessment was completed in July 2013.</i></p>
2012/13	Council Tax Billing – incorrect billing for 2013/14	Management	<p>Management have issued corrected bills to households.</p> <p>Management have identified the reasons for the error and have introduced further controls to ensure that the errors are not repeated.</p>	Director/Business Manager	<p>May 2013</p> <p>Management have identified the control failure and taken steps to introduce additional controls to prevent a reoccurrence of the situation.</p>

To: Audit Committee
Date: 15 January 2014
Author: John Barnett; Audit Manager; VNY
Lead Officer: Karen Iveson; Executive Director (s151 Officer)

Title: Internal Audit Progress Report 2013/14

Summary: The purpose of the report is to present the Internal Audit Progress Report for the period April to December 2013.

Recommendation:

It is recommended that the attached report 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 to date. It also indicates the emerging internal audit opinion of the internal control framework.

1. Introduction and background

- 1.1. The provision of Internal Audit is a statutory requirement (Accounts & Audit Regulations).
- 1.2. The Audit Committee approved the internal audit plan for 2013/14 at the meeting of Committee held on the 17 April 2013. The purpose of the report is to inform Members of the progress made to date in delivering the 2013/14 Internal Audit Plan and any developments likely to have an impact on the Plan throughout the remainder of the financial year.

2. The Report

- 2.1. Within the report there is a summary of progress made against the plan and a summary of the audit opinions for the individual audits completed thus far.
- 2.2. Veritau carried out its work in accordance with the Cipfa Code of Practice for Internal Audit in Local Government.

2.3 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

None.

3.2. Financial Issues

None.

4. Conclusion

4.1 In the period between April and December, inclusive, we have completed **6** out of **25** internal audit reviews to final report stage. In addition, draft reports for **3** further reviews have been issued and **6** other audits are in progress. This represents **24%** of the plan delivered to final report stage and **36%** including 'draft' reports. Based on that work, our initial opinion is that a **Substantial Assurance** can be given. However this opinion may be subject to change in the light of findings emerging from work carried out later in the year.

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: - Internal Audit Progress Report 2013/2014 - Veritau

Selby District Council
Internal Audit Progress Report 2013-14
Period to 31 December 2013

Audits Completed to 31 December 2013	
High Assurance	3
Substantial Assurance	1
Moderate Assurance	2
Limited Assurance	0
No Assurance	0

Emerging Audit Opinion

Substantial Assurance

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

Circulation List: Member of the Audit and Governance Committee
Chief Executive
Executive Director (S151 Officer)

Date: 15 January 2014

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 regularly report progress in delivery of the internal audit plan to the Audit Committee and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 Members approved the Annual Internal Audit Plan 2013/14 at their meeting on the 17th April 2013. The total number of planned audit days for 2013/14 is 355. The performance target for Veritau is to deliver 93% of the agreed Audit Plan by the end of the year. This report summarises progress made in delivering the agreed plan.

Internal Audit Work Carried Out 2013/14

- 3 A summary of the internal audit reports issued is attached at **Appendix A**. This is the second progress report to be received by the committee during 2013/14.
- 3.1 Veritau officers are involved in a number of other areas relevant to corporate matters:
 - **Support to the Audit Committee;** this is mainly on going through our support and advice to Members. We assist 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 involves supporting the assurance process by using financial reports obtained from D&B in order to confirm the financial robustness of contractors.
 - **Risk Management;** Veritau facilitate the Council's Risk Management process and advise Access Selby on their processes.
 - **Systems Development;** Internal Audit attend 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;** Special investigations into specific sensitive issues.
- 3.2 As with previous audit reports an overall opinion has been given for each of the specific systems under review. The opinion given has been based on an assessment of the risks associated with any weaknesses in controls identified.
- 3.3 The opinions used by Veritau are provided for the benefit of Members below:

High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	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.

Moderate Assurance	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.
Limited Assurance	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.
No Assurance	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.

3.4 The following categories of opinion are also applied to individual actions agreed with management:

Priority 1 (P1) – A fundamental system weakness, which represents unacceptable risk to the system objectives and requires urgent attention by management.

Priority 2 (P2) – A significant system weakness, whose impact or frequency presents risk to the system objectives, which needs to be addressed by management.

Priority 3 (P3) – The system objectives are not exposed to significant risk, but the issue merits attention by management.

3.5 It is important that agreed actions are formally followed-up to ensure that they have been implemented. Agreed actions are recorded within Covalent therefore assurance should be gained through the performance management framework, with appropriate testing carried out.

3.6 In the period between April and December, inclusive, we have completed **6** out of **25** internal audit reviews to final report stage. In addition, draft reports for **3** further reviews have been issued and **6** other audits are in progress. This represents **24%** of the plan delivered to final report stage and **36%** including 'draft' reports. Based on that work, our initial opinion is that a **Substantial Assurance** can be given. However this opinion may be subject to change in the light of findings emerging from work carried out later in the year.

Table of 2013/14 audit assignments completed

Audit	Status	Audit Committee
<i>Corporate Risk Register/Access Selby RR</i>		
Affordable Housing	Completed ~ High Assurance	January 2014
Savings Delivery	In Progress	
Organisational Development Strategy	Not Started	
Human Resources	Completed ~ Moderate Assurance	September 2013
Data Quality	Completed ~ High Assurance	January 2014
Land Contamination	Completed ~ High Assurance	January 2014
LDF/Local Plan – New Homes Bonus	Draft Report	
Core/Access Selby SLA	Not Started	
Business Intelligence	Not Started	
Performance Framework	Not Started	
<i>Fundamental/Material Systems</i>		
Council Tax/NNDR	Not Started	
Benefits	Not Started	
Creditors	In progress	
General Ledger	In progress	
Regularity Audits		
Information Governance & Data Protection	Draft Report	
Council House Sales – Right To Buy	Completed ~ Substantial Assurance	September 2013
Technical/Project Audits		
ICT	In progress	
Programme for Growth	In progress	
Leisure Centre Rebuild/Village – Contract	Not Started	
Contract Audit	Draft Report	
Housing Trust	In progress	
Business Transformation - Advice	Not Started	
NYCC Shared Services	Not Started	
Contingency		
- Licensing Charges	Completed ~ Moderate Assurance	January 2014
- Council Tax Billing 13/14	Completed	Separate report June 2013
<i>Follow Ups:</i>	None to date	

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

	System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
	Affordable Housing	High Assurance	This audit focused upon a review of management controls including monitoring arrangements to ensure Government and Local targets are adhered to.	10 October 2013	<p>Strengths It was found that the arrangements for managing risk were very good and that an effective control environment appears to be in operation.</p> <p>Key Weaknesses No key weaknesses.</p>	
	Data Quality	High Assurance	This audit looked at the quality of the data loaded into the Covalent system.	16 October 2013	<p>Strengths It was found that the arrangements for managing risk were very good and that an effective control environment appears to be in operation.</p> <p>Key Weaknesses No key weaknesses.</p>	
	Land Contamination	High Assurance	To ensure the Draft Contaminated Land Strategy is not in accordance with the 2012 guidance issued by Central Government.	19 November 2013	<p>Strengths Officers had correctly interpreted the guidance and applied it to the Government guidance.</p> <p>Key Weaknesses No key weaknesses.</p>	

	System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
	Licensing	Moderate Assurance	<p>A European Directive (from 2010) states that “charges which a Council imposes on applicants/licensees under an authorisation scheme must be proportionate and reasonable in the circumstances to the fees or costs payable under the provision of the scheme”. Following High Court action against Westminster Council the Local Government Association briefing recommended that “Councils take the opportunity to ensure that all locally set licence fees are based on an up to date cost recovery approach which is established and regularly reviewed in a transparent manner that can be understood by both businesses and residents”.</p> <p>The review was to ensure that licence fee setting arrangements within SDC are compliant with the European Directive and UK legislation.</p>	11 September 2013	<p>Strengths Fees are monitored and reviewed by management on an annual basis and adjusted accordingly in line with inflation.</p> <p>Key Weakness Although Licence fees have been increased annually in line with inflation and approved by the licence committee, there is no evidence that the costs involved have been re-examined recently. It is therefore unclear if the fees now comply with the regulations and legislation on cost recovery and officers should now review costs and fees for all licences in line with the LGA recommendation.</p>	<p>A full assessment of costs relating to the administration of licensing will be undertaken and license fees set on a cost recovery basis. To be done before the next fee review and annually thereafter. The costs of enforcement relating to unlicensed operators will not be included. 31/3/14</p>

Summary of Key Issues from audits completed and previously reported

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Human Resources	Moderate Assurance	To ensure compliance with the Agency Workers Regulations 2010 and that agency workers and consultants are not employed unnecessarily and/or at excessive cost to the Council.	17 July 2013	<p>Strengths Management recognised the relevant legislations and drafted and Agency Workers Policy in 2011 with the key elements of the legislation covered.</p> <p>Key Weaknesses The Agency Workers Policy 2011 has not been formally approved.</p> <p>Contrary to the policy HR are not involved in the employment and control of agency workers and there ensuring compliance with the AWR 2010.</p> <p>An Authority to Recruit is not always completed when employing agency workers and HR are not always notified.</p> <p>There is no approved list of Agencies as required by the Agency Workers Policy.</p>	<p>The Agency Workers Policy will be put to the Policy Team and senior managers for ratification and publishing. 30/11/13</p> <p>A central record of all agency workers employed will be maintained with HR and will be regularly monitored to ensure compliance with the Act. 30/11/13</p> <p>The same process to be used for agency workers as for established staff i.e. the file will not proceed until an Authority to Recruit has been completed and received by HR. 31/1/14</p> <p>The feasibility of using the MSTAR framework will be investigated and an updated report submitted to HR. 30/11/13 <i>Completed - Senior Procurement officer has provided a report to</i></p>

	System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
						<i>HR for consideration.</i>
	Council House Sales – Right To Buy	Substantial Assurance	A review to ensure that the process/controls employed when selling Council properties to tenants, have been correctly followed.	13 May 2013	<p>Strengths The arrangements for managing the risks are good having been controlled effectively by experienced officers.</p> <p>Key Weaknesses All discounts within the sample tested were in line with guidance and parameters set, however, it is not always clear who carried out the initial calculations and who (if anyone) checked the details before making an offer to the tenant.</p>	<p>All discount calculations will be checked within Business Support prior to the file being passed to Assets for the issue of the letter of offer. This will be evidenced by both officers (calculator and checker) signing or initialling the calculation document.</p> <p><i>31/5/13</i> <i>Update 6/9/2013: Some progress has been made but omissions are still seen. To be reviewed again in 3 months time.</i></p>
	Council Tax Billing		Verbal report given to the Board at its meeting in June 2013 and reported to the June Audit Committee, by the Director of Community Services.			

Annual Audit Letter to:
Selby District Council



Audit 2012/13

October 2013



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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 Council 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, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

01

Key messages

This Annual Audit Letter summarises the findings from our 2012/13 audit of Selby District Council.



Key messages

Our 2012/13 audit of Selby District Council (the Council) was made up of two elements:

- our audit of the financial statements; and
- our assessment of arrangements for achieving value for money in your use of resources.

We summarise below the key conclusions for each element.

Audit opinion and financial statements

We issued an audit report including an unqualified opinion on the Council's financial statements on 27 September 2013. Our audit progressed smoothly, and identified only a small number of errors.

Value for money

We undertook work in line with Audit Commission guidance. We concluded that the Council had proper arrangements to ensure economy, efficiency and effectiveness in the use of its resources.

We also issued our certificate, closing this year's audit, on 27 September 2013.

We also reported on the Council's whole of government accounts return.

Forward look

This letter represents the completion of our first year as your appointed auditor. We look forward to continuing the effective relationship we have developed with you since our appointment and working with you to meet the challenges the Council faces in the short and medium term.

These challenges will be primarily associated with managing risk in an environment of significant reductions in government funding for the period 2014 to 2017.

The Council has a number of significant plans, including exploring collaboration with North Yorkshire County Council, establishing a Housing Trust and re-provision of the leisure centre, each of which has been progressed further over the year.

There are still risks with these and the other projects the Council is engaged in, but progress to date has been good. It is important that the Council continues to closely monitor the progress of these projects to ensure that the benefits envisaged are delivered for the Council and its residents.

We will focus our 2013/14 audit on the risks that these challenges present to the Council's financial statements and its ability to maintain proper arrangements for securing value for money.

We will also share with the Council relevant insights that we have as a national and international accounting and advisory firm with experience of working with other public sector and commercial service providers.

02

Financial statements

The Council produced good quality accounts. This supported an efficient audit and we issued an unqualified opinion.



Financial statements

The financial statements are an important tool for the Council to communicate how it has used public money as well as demonstrate its financial performance and financial position.

We issued an audit report including an unqualified opinion on the financial statements on 27 September 2013.

The draft financial statements, presented for audit in June 2013, were of a good quality overall; as were the supporting working papers. Our audit progressed smoothly and we are grateful to officers in the accountancy and finance teams for their input into the audit process.

Audit findings

Our detailed findings were reported in our Audit Completion Report to the Audit Committee on 25 September 2013.

We did not identify any significant deficiencies in the accounting and internal controls systems during the course of the audit.

Our audit identified a small number of misstatements, presentational and disclosure issues and management amended the Accounts for nearly all issues. There were two unadjusted errors of £55k and £70k which were not material and officers and Members felt it unnecessary to make a correction.

One matter arose following our Audit Completion Report which we reported verbally to Audit Committee on 25 September 2013. The auditors of North Yorkshire Pension Fund reported on 25 September 2013 that assets within the pension fund financial statements were overstated. In the Council's case this amounted to an overstatement of pension fund assets of £106,000. We did not request that the accounts be amended for this issue.

03

Securing economy, efficiency and effectiveness

Our work shows that the Council maintained proper arrangements for securing value for money in its use of resources during 2012/13 despite increasing pressure on resources



Securing economy, efficiency and effectiveness

We are required to conclude whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We issued an unqualified conclusion on 27 September 2013 stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in the use of its resources.

We assessed your arrangements against the two criteria specified by the Audit Commission and set out below our conclusion against each of them.

Financial Resilience

The Council has managed its financial position well. Budget setting is robust and close monitoring ensured delivery of spending within budget. The outturn report for 2012/13 shows that the Council underspent against budget by £0.9 million for the General Fund and £0.1 million for the Housing Revenue Account. There was some slippage in the capital programme and this is being carried forward into 2013/14.

The latest VFM profiles, produced by the Audit Commission, show the General Fund Balance was close to the average for similar authorities, and that earmarked reserves are relatively high. These earmarked reserves are set aside for specific plans and projects and will help the Council manage the financial challenges it faces over the next few years.

The Council is financially resilient. The Medium Term Financial Strategy sets out how the Council proposes to deal with the difficult economic climate and the cuts in funding. The Council has considered the impact of the retention of business rates and localisation of council tax support, and is monitoring these areas closely.

Securing economy, efficiency and effectiveness

In recent years, the Council has made significant changes to secure its future viability. It has reorganised into a democratic core, Access Selby and Communities Selby. The core commissions services and provides democratic accountability, Access Selby is a service delivery arm but with an ambition to improve service delivery for residents and develop more commercial expertise. Communities Selby is about being closer to the local community and maximising the return for residents through partnership working with the voluntary sector and others.

In delivering the new model, the Council lost over 20 per cent of its workforce and delivered annual savings of approximately £1.5 million, but is confident that it has maintained and improved service delivery by doing things differently.

There is no sign that the Council is going to rest on its achievements to date and it has ambitious plans for the future, including:

- Entering into an innovative collaborative arrangement with North Yorkshire County Council which will see a joint post of Chief Executive for Selby District Council and Assistant Chief Executive for North Yorkshire County Council, and further developments which could bring mutual benefits to both bodies and improved services for the people of the district.
- Developing a Housing Trust to address the issue of increasing the availability of affordable housing in the district.
- Recognising the opportunity offered by the fire at the Abbey Leisure Centre to secure funding to improve the services available in the re-provided facility along with the overall offer on the site.

04

Added value

During the year we have shared with you our insights into initiatives and developments relevant to what you do



Added value

As a major firm of accountants and advisors with a commitment to maintaining and, where required, improving the quality of public services we are well placed to support the Council as it faces challenges in future years.

We do this within the ethical standards applicable to external auditors and with the agreement of the Council.

Additional services

We have undertaken one non-audit service for the Council during the audit. The Executive Director s151 commissioned some financial guidance from us in relation to the new Housing Trust.

As part of our commitment to the sector as a whole and to you as our client, we provide you with relevant and practical insights from our knowledge of local government and experience of other public and private sector organisations.

During the year through our regular meetings with officers, and through our attendance at Audit Committee meetings we have provided information relevant to:

- The developments in the National Fraud Initiative.
- Reports and items of interest from the Audit Commission and government departments.
- The continual improvement of your financial reporting.

In February 2013 members of your finance team attended our workshop aimed at supporting councils to prepare their financial statements for 2012/13 and highlight potential future accounting issues relevant to the public sector. We plan on holding similar events in early 2014.

05

Fees and closing remarks

Effective working with the Council has ensured our fees are in line with those agreed with you at the start of this year's audit



Fees and closing remarks

Our audit fees for the year are in line with those communicated to you in our Audit Strategy Memorandum dated 20 March 2013, being £58,710 (plus VAT). In addition we carried out the audit of three grant claims and returns at an estimated cost of £19, 650 (plus VAT).

We have also undertaken one non-audit service for the Council relating to 2012/13; the Executive Director s151 commissioned some financial guidance in relation to the new housing trust for a fee of £1,500 (plus VAT).

We have discussed and agreed this letter with the Executive Director s151, and copies will be provided to all members. Further detailed findings and conclusions in the areas covered by our audit are included in the reports issued to the Council during the year.

Report	Date issued
2012/13 Audit Fee Letter	27 November 2012
Audit Strategy Memorandum	20 March 2013
Audit Completion Report	12 September 2013
Audit Opinion on the Financial Statements, VFM Conclusion and Certificate	27 September 2013
Annual Audit Letter	October 2013

The Council has taken a positive and constructive approach to our audit. We wish to thank members and officers for their support and co-operation during the first year of our appointment as the Council's auditors.

Cameron Waddell
Director
October 2013

Should you require any further information,
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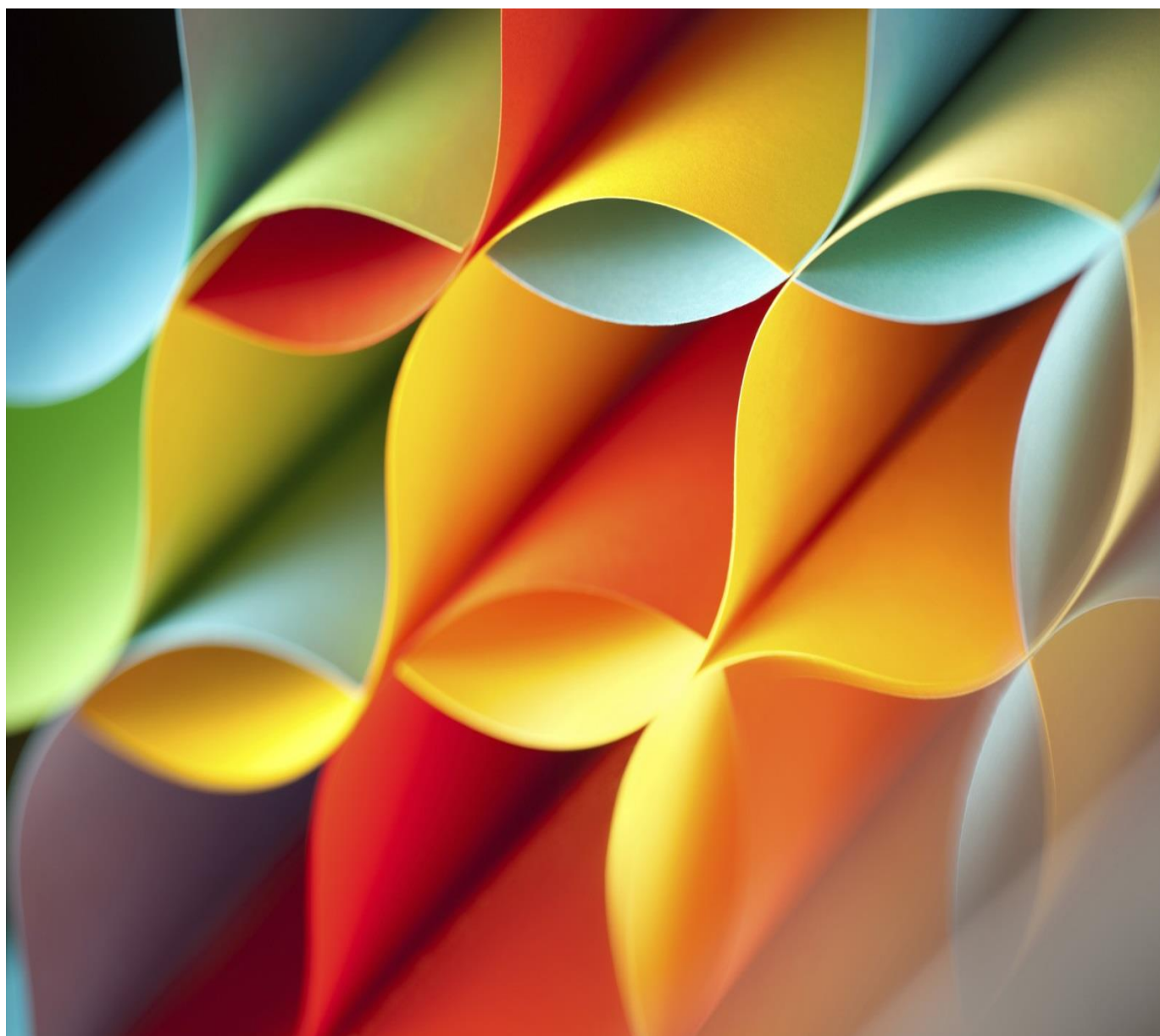
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Selby District Council

Certification of Claims and Returns Annual Report 2012/13

December 2013



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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.

01

Background

Selby District Council ('the Council') receives more than £22 million in funding from various grant-paying government departments. In addition, the Council makes returns that have an impact on funding. The government departments attach conditions and restrictions to these grants and other arrangements which the Council must meet otherwise funding may be withdrawn or clawed-back.

It is therefore important that the Council can demonstrate that it:

- has put in place adequate arrangements to prepare and authorise each claim and return; and
- can evidence that it has met the terms and conditions put in place by the grant paying body for each claim and return.

The scope of our work

As the Council's appointed auditor, we act as an agent of the Audit Commission to certify specified claims and returns.

The Audit Commission, in consultation with the grant-paying bodies, sets out a programme of work in the form of Certification Instructions ('CIs') that we must follow. It also sets an overall framework under which we carry out our certification work:

- For claims and returns below £125,000 the Audit Commission does not make certification arrangements and as such we are not required to carry out any certification work.
- For claims and returns between £125,000 and £500,000, the Audit Commission requires us to undertake limited tests to ensure that entries on the claim form agree with underlying records.
- For claims and returns over £500,000, we assess the control environment the Council has put in place for preparing the claim to decide whether we can place reliance on these arrangements. Where we can place reliance on the Council's arrangements we undertake limited testing to ensure that entries on the claim form agree with underlying records (as above). Where we cannot place reliance on the Council's control environment we carry out the full programme of testing in the Audit Commission's CI.

Our certificate

On completion of the specified work we issue a certificate, the wording of which depends on the level of work we have performed on each claim. The certificate states whether the claim has been certified either without qualification; without qualification following amendment by the Council; or with a qualification letter.

Where we issue a qualification letter or the claim or return is amended by the Council, the grant paying body may withhold or claw-back grant funding.

02

Findings

The Council's control environment

There are specific arrangements for the certification of the Housing and Council Tax Benefit claim which do not require us to assess the control environment. We have to carry out detailed testing in relation to this claim.

The pooling of housing capital receipts return was between £125,000 and £500,000 which meant that we were required to carry out the more limited Part A testing only.

As required by the Audit Commission's CIs, we have assessed the control environment for one return, the NNDR return. We concluded that we were able to rely on the control environment and carried out the Part A testing in the Audit Commission's CI.

Amendments and Qualifications

Appendix A of this report provides a full analysis of all claims and returns on which we carried out certification work in 2012/13.

Of the three claims and returns we certified in 2012/13, one was qualified and two were amended by the Council. Further details on qualified and amended claims are also provided in Appendix A.

The benefits claim was amended leading to a decrease in subsidy claimed of £5,050. However, we also identified the following matters which we reported in a qualification letter to the Department for Work and Pensions:

- A number of errors were identified in sample testing of benefits cases. In accordance with the guidance, we extrapolated the impact of these errors if applied to the whole population. In total, based on extrapolation, the impact on subsidy of the errors identified was a reduction in entitlement of £3,197.
- We queried the Council's classification of caravan pitch rentals and the need to clarify government guidance in this respect.
- We highlighted a case we had tested where the Council had not verified the capital of a claimant in accordance with the requirements of the scheme, but where there were extenuating circumstances to account for this.

Officers agreed the content of the qualification letter.

03

Certification fees

For 2012/13 the total fees charged for certification work was £19,650 (plus VAT) in line with the Audit Commission's scale fee.

This represents a significant (70.9%) reduction on fees charged in 2011/12 (£33,573) largely as a result of a change in the way that the Audit Commission charges councils for certification work. In previous years certification work was charged on the basis of actual hours spent undertaking the work; this has changed to be a set amount which is determined based on a 40% reduction of the actual fee which was charged for our certification work in 2010/11.

We would only charge a higher fee if significant additional work was required over and above that we have previously undertaken. We have found that we were able to contain any additional work within the overall scale fee set by the Audit Commission.

A breakdown of the fees charged for each claim or return is provided in Appendix A.

Appendices

Appendix A – Summary of certified claims and returns

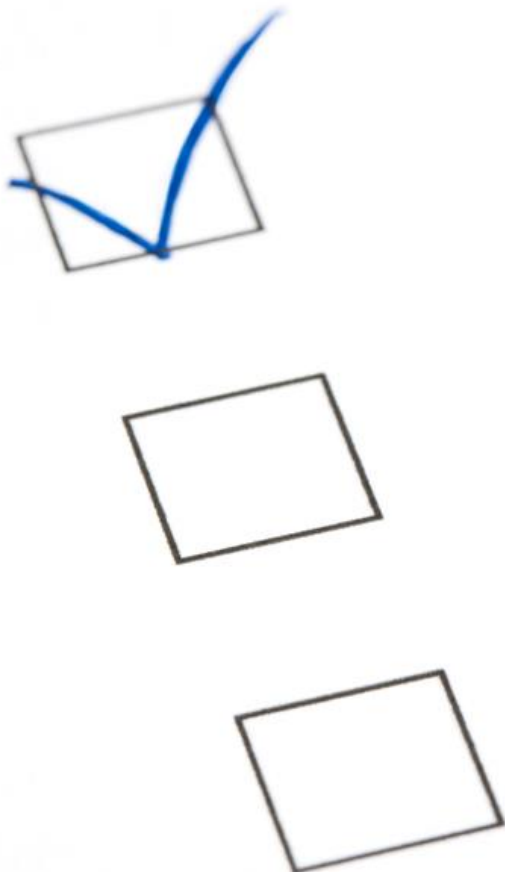
Claim or return	Value	2011/12 fee	2012/13 scale fee ¹	2012/13 actual fee	Reasons for significant movement	Amended	Qualified
Pooling of capital receipts	£462,747	£606	£357	£357	Explained by 40% reduction in fees within the Audit Commission fee framework.	Yes, amended for a minor classification error, no impact on overall return	No
NNDR3	£36,753,414	£1,281	£3,246	£3,246	We spent more time this year understanding and following up on variances in the NNDR return.	No	No
Housing and Council Tax Benefits	£21,682,817	£29,089	£16,047	£16,047	As well as the 40% reduction in fees within the Audit Commission fee framework, there were specific issues arising in 2011/12. We have worked very closely with officers this year and they assisted in a focused approach to additional 40 plus testing in line with the requirements.	Yes	Yes
Housing subsidy	HRA now self financing	£2,597	£0	£0	Now that the HRA is self financing, a claim for housing subsidy is no longer required	-	-
Total	£58,898,978	£33,573	£19,650	£19,650.00			

¹ From 2012/13 the Audit Commission has set scale fees for certification work at audited bodies. These are published on the Audit Commission's website.

Selby District Council

Audit Progress Report

January 2014



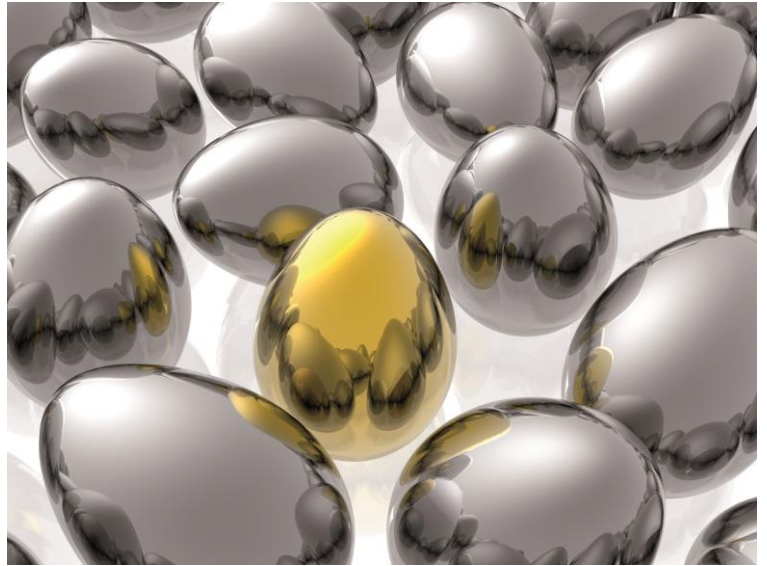
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- 01 Purpose of this paper
- 02 Summary of audit progress
- 03 Emerging issues and developments
- 04 Contact details

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01



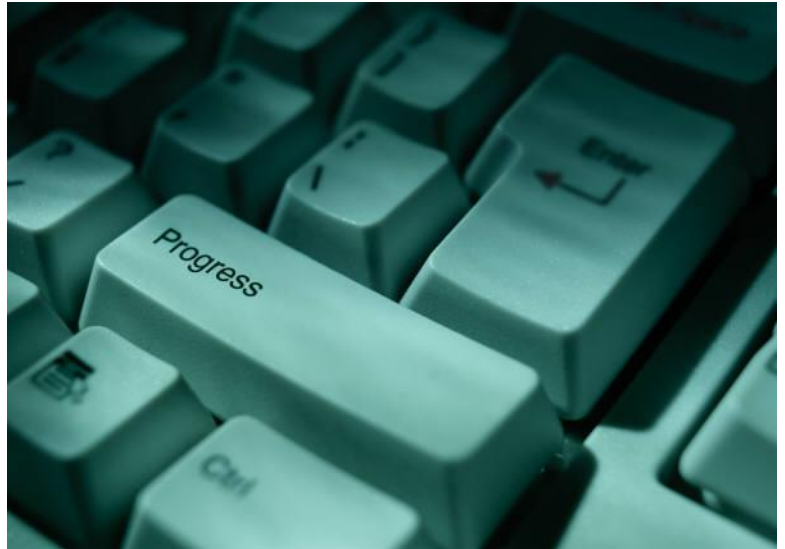
Purpose of this paper

The purpose of this paper is to update the Audit Committee on progress in meeting our responsibilities as your external auditor. We also include in this paper key emerging national issues and developments which may be of interest to members of the Committee.

If you need any additional information please contact Cameron Waddell or Gavin Barker using the contact details at the end of this update.

02

Summary of audit progress



The 2012/13 audit is complete and work in October and November 2013 focussed on finishing the housing and council tax benefits grant claim.

We have also completed the Annual Grants Report for 2012/13, which is included as a separate item on the Audit Committee agenda. Total grant fees for 2012/13 were £19,650, compared to £33,573 in the previous year.

We have completed a number of returns required by the Audit Commission, for example, the auditing the accounts return and the financial ratios tool. The Commission uses the information gathered in its national reports and data tools.

In December 2013, we began planning the 2013/14 audit, and we will carry out our walkthroughs of the key financial systems in the first quarter of 2014. We will present our Audit Strategy Memorandum to the Audit Committee in April 2014. This document will set out the risks we identify for both the opinion on the financial statements and the value for money conclusion, and our overall approach to the audit.

In February 2014, Mazars will once again provide a workshop for finance staff on accounting and auditing issues relating to the closedown and preparation of the 2013/14 statement of accounts. These workshops have been well received in the past. The Council's officers have attended previously and we hope that they will attend them again.

03

Emerging issues and developments



The following pages outline for your attention some significant emerging issues and developments in respect of:

- Annual Fraud Indicator Report 2012/13
- A Guide to Forecasting Methods in the Public Sector
- Code of Practice in Local Authority Accounting in the UK: Disclosure Checklist 2013/14 accounts
- Accounting and Auditing Standards: A Public Services Perspective
- Audit Commission consultation on 2014/15 fees
- Charging brings in more income than council tax for one in five councils
- Protecting the Public Purse
- £1.2 billion owed to councils in uncollected business rates
- Audit Commission Value for Money profiles
- Tough Times 2013: Councils' Responses to Financial Challenges From 2010/11 to 2013/14

Emerging issues and developments

Issue / development	Implications
<p>Annual Fraud Indicator Report 2012/13 In June 2013, the National Fraud Authority published its Annual Fraud Indicator report for 2013. The Report updates the Authority's estimates for fraud in all sectors of the economy, including the public sector. The methodology used in reporting is updated every year, which makes the analysis of trends and the drawing of conclusions difficult, but the report can still make interesting reading.</p>	<p>Provides national context. Selby District Council prides itself on having a strong anti-fraud culture.</p> <p>The report is available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206552/nfa-annual-fraud-indicator-2013.pdf</p>
<p>A Guide to Forecasting Methods in the Public Sector CIPFA have produced a detailed guide to forecasting that describes each of the methods available to councils and their pros and cons. It recognises that robust forecasting is critical to long-term service provision that meets increasing demand within tightening budgets.</p>	<p>Information is available at http://www.cipfa.org/policy-and-guidance/publications/a/a-guide-to-forecasting-methods-in-public-services-book</p>
<p>Code of Practice on Local Authority Accounting in the UK: Disclosure Checklist 2013/14 Accounts CIPFA published the key guidance for the preparation of the 2013/14 accounts in May 2013. This checklist can be used to self-assess compliance with this guidance during the closure process and we will use it as part of our audit of the 2013/14 accounts.</p>	<p>For information. Previous work has shown Selby District Council to comply well with CIPFA's accounting Code of Practice. We work with officers to ensure any new requirements are addressed.</p>

Emerging issues and developments

Issue / development	Implications
<p>Accounting and Auditing Standards: a Public Services Perspective</p> <p>CIPFA have updated a 2003 guide to reflect the subsequent adoption of international standards for accounting (IFRS) and auditing (ISAs). These standards are already embedded in the accounts you produce and our audit approach. However, the guide is a useful summary of how these standards apply to local authorities, fire and police bodies. It includes descriptions of the:</p> <ul style="list-style-type: none"> • Key differences between private sector and local authority financial reporting; • Wider responsibilities of public service auditors; and • Role of the various standard setting bodies. 	<p>This is a useful summary of accounting and auditing standards.</p> <p>Previous work has shown Selby District Council to comply well with accounting standards.</p> <p>We have arrangements in place to ensure that we comply with all auditing standards.</p>
<p>Audit Commission consultation on 2014/15 fees</p> <p>The Audit Commission is consulting on its 2014/15 proposed work programme and scales of fees. The proposal is that 2014/15 scale audit fees are set at the same level as the fees applicable for 2013/14, thus locking in the 40 per cent reduction made to fees from 2012/13.</p> <p>The consultation closed on Friday 10 January 2014 and the Commission plans to publish the final work programme and scales of fees for 2014/15 in March 2014. The proposed 2014/15 scale fee for Selby District Council is therefore £58,710.</p>	<p>The 40% reduction in audit fees will be delivered for another audit year.</p> <p>The report can be found at http://www.audit-commission.gov.uk/audit-regime/audit-fees/proposed-work-programme-and-scales-of-fees-201415/</p>

Emerging issues and developments

Issue / development	Implications
<p>Charging brings in more income than council tax for one in five councils</p> <p>The Audit Commission has published a briefing drawn from its Value for Money (VFM) Profiles. The briefing presents the Commission’s analysis of the £10.2 billion that English councils raised through charging for services in 2011/12.</p> <p>Charging in 2011/12 funded 9 per cent of single-tier and county councils’ overall service expenditure, and 20 per cent of district councils. Although nationally the total income from charging was less than half the amount raised through council tax in 2011/12, at the local level it exceeded council tax in one in three (32 per cent) district councils and one in five (21 per cent) London boroughs.</p>	<p>In 2011/12, Selby District Council’s income from charging funded 14.0% of expenditure. The income from sales, fees and charges was 60.3% of the income from council tax.</p> <p>The report can be found at http://www.audit-commission.gov.uk/2013/09/charging-brings-in-more-income-than-council-tax-for-one-in-five-councils/</p>
<p>Protecting the Public Purse</p> <p>The Audit Commission’s annual report on fraud, published in November 2013, highlights that £178 million of fraud was detected by local government in the last year. Just over three quarters of that total was detected by one quarter of councils.</p> <p>The Commission stated “This shows what can be achieved and we encourage all councils to play their part and do as much as they can to detect fraud. If the other 75 per cent of councils had found as much, we would see much higher overall rates of fraud detection”.</p>	<p>This annual report sets out the national context. Selby District Council participates in the Commission’s annual fraud survey.</p> <p>The report can be found at http://www.audit-commission.gov.uk/2013/11/councils-find-178m-in-frauds-against-local-government-but-detection-rates-are-patchy/</p>

Emerging issues and developments

Issue / development	Implications
<p>£1.2 billion owed to councils in uncollected business rates</p> <p>The Audit Commission has published a briefing, drawn from its Value for Money (VFM) Profiles Tool. The briefing presents the Commission’s analysis of English councils’ collection rates and costs of collecting business rates.</p> <p>It was found that in 2012/13, councils collected £21.9 billion in business rates of £22.4 billion due. Councils collect most business rates in the year they fall due, but business rates arrears are substantial and currently stand at £1.2 billion. In 2012/13, the uncollected in-year amount was £513 million.</p>	<p>In 2012/13, Selby District Council collected 98.6% of NNDR due, which was in the highest third compared to its CIPFA nearest neighbours group.</p> <p>The report can be found at http://www.audit-commission.gov.uk/2013/10/1-2-billion-owed-to-councils-in-uncollected-business-rates/</p>
<p>Audit Commission Value for Money profiles</p> <p>The Audit Commission published its updated VFM profiles on 11 November 2013.</p> <p>The Value for Money (VFM) profiles bring together data about the costs, performance and activity of local councils and fire authorities, displayed under sections that give an overview of the chosen organisation and the services it delivers.</p>	<p>Selby District Council’s VFM profiles can be viewed and downloaded via the Audit Commission website, by following the links to ‘VFM Profile Tools’.</p>

Emerging issues and developments

Issue / development	Implications
<p>Tough Times 2013: Councils' Responses to Financial Challenges From 2010/11 to 2013/14</p> <p>The Audit Commission's latest research, published in November 2013, Tough Times 2013: Councils' Responses to Financial Challenges From 2010/11 to 2013/14, shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. But, the Commission says, with uncertainty ahead, councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.</p>	<p>As reported in our Annual Audit Letter and VFM conclusion for 2012/13, our view is that Selby District Council has demonstrated financial resilience.</p> <p>In line with this national report, we also identified that the Council faces significant financial challenges and needs to closely monitor the delivery of its plans.</p> <p>The report can be found at http://www.audit-commission.gov.uk/2013/11/councils-show-financial-resilience-but-must-continue-adapting/</p>
<p>Future of Local Audit: Consultation on Secondary Legislation, DCLG</p> <p>This DCLG consultation is wider ranging, but also includes proposals in relation to the Accounts and Audit Regulations. One important consultation question, of wider interest to authorities, is whether the local authority accounts production timetable should be brought forward.</p>	<p>If the accounts timetable is brought forward this would impact on the Council's accounts production processes.</p> <p>The consultation can be found at: http://localaudit.readandcomment.com/</p>

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

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

15 January 2014 <i>Cont'd</i>	<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> Audit of Grant Claims & Returns 2012/13	To receive the Audit report
	<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
	<u>Committee Requested Item</u> External Audit Progress Report - Mazars	To review the progress by Mazars in meeting its responsibilities as the Council's External Auditor.

16 April 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 3+ Report 2013/14	To review progress against the Internal Audit Plan for 2013/14
	<u>Committee Requested Item</u> Internal Charter, Terms of Reference and Audit Plan 2014/15	To approve the Internal Audit Plan 2014/15
	<u>Committee Requested Item</u> External Audit Work programme	To receive the Audit Commissions proposals for auditing the financial statements and value for money conclusions for 2013/14
	<u>Committee Requested Item</u> Accounts and Audit Regulation 6 Review	To review the Council's Regulation 6 procedures
	<u>Committee Requested Item</u> Audit Committee Annual Report 2013/14 and Work Programme 2014/15	To approve the 2013/14 Annual Report and the 2014/15 Work Programme for the committee
	<u>Committee Requested Item</u> External Audit Progress Report – Mazars	To review the progress by Mazars in meeting its responsibilities as the Council's External Auditor.