



Meeting: **AUDIT & GOVERNANCE COMMITTEE**  
Date: **WEDNESDAY, 25 JANUARY 2023**  
Time: **5.00 PM**  
Venue: **COUNCIL CHAMBER - CIVIC CENTRE, DONCASTER ROAD, SELBY, YO8 9FT**  
To: **Councillor K Arthur (Chair), G Ashton (Vice-Chair), A Lee, J Mackman, K Franks, J Duggan and N Reader**

## Supplementary Agenda

**1. External Audit Annual Report 2022 (A/22/12) - APPENDIX A (Pages 1 - 22)**

Appendix A to item number 6 on the main agenda pack – marked “to follow”.

*Janet Waggott*

**Janet Waggott, Chief Executive**

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# Auditor's Annual Report

Selby District Council – year ended 31  
March 2022

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January 2023



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# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Selby District Council ('the Council') for the year ended 31 March 2022. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



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### Opinion on the financial statements

We issued our audit report on 30 November 2022. Our opinion on the financial statements was unqualified.

### Value for Money arrangements

In our audit report issued we reported that we had not completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Council's arrangements.



### Wider reporting responsibilities

Following delays in the NAO issuing its instructions in relation to the Whole of Government Accounts return. We have not yet completed our work on the Council's return.

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# 02

Section 02:

## **Audit of the financial statements**

# 2. Audit of the financial statements

## The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2022 and of its financial performance for the year then ended. Our audit report, issued on 30 November 2022 gave an unqualified opinion on the financial statements for the year ended 31 March 2022.

## Qualitative aspects of the Council's accounting practices

We reviewed the Council's accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances. Draft accounts were received from the Council in July 2022 and were of a good quality.

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# 03

Section 03:

**Commentary on VFM arrangements**

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# 3. Commentary on VFM arrangements

## Overall summary

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# 3. VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



**Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services



**Governance** - How the Council ensures that it makes informed decisions and properly manages its risks



**Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

### Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page [x].

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**

We make these recommendations for improvement where we have identified a significant weakness in the Council arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.

- **Other recommendations**

We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

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# 3. VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	13	No	No	No
 Governance	16	No	No	No
 Improving economy, efficiency and effectiveness	19	No	No	No

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### 3. Commentary on VFM arrangements

#### Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

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# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans

The Council has a Medium Term Financial Strategy (MTFS) and arrangements to keep it up to date. The arrangements allow financial plans to reflect emerging risks and new financial information. The MTFS is reviewed and updated on an annual basis in July. The MTFS is also updated as part of the annual revenue budget setting process but Local Government Reorganisation (LGR) means this was not required in 22/23. Work in 22/23 has instead focused on developing a consolidated MTFS for the new North Yorkshire Council.

The MTFS arrangements include engagement across the leadership team and executive Members to ensure that all known pressures, changes, and priorities are captured. Quarterly budget monitoring allows new or emerging risks to be taken account of, and their impact considered.

Our work in previous years confirmed the Council has a proven track record of effective budget monitoring and delivery of planned budget reductions. Our review of Council minutes, key reports and our work on the financial statements has provided audit evidence of the Council's financial planning arrangements

### How the Council plans to bridge funding gaps and identifies achievable savings

The MTFS process includes the identification of savings plans to ensure balanced budgets can be set and delivered.

The 2021/22 budget included planned savings of £184k on the General Fund and £195k on the Housing Revenue Account (HRA). Our review of the 2021/22 Outturn Report shows that the Council was successful in achieving £182k (99%) of the planned General Fund savings. HRA savings were based on the full implementation of the housing/asset management system but implementation was delayed which resulted in and the savings target was not achieved. This was identified and reported early in the 2021/22 financial year.

### How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council's priorities are set out in the Council Plan 2020-2030. The Council Plan is supported by Delivery Plans which run for 3-year periods in line with financial planning timelines and provide details of the actions that are to be completed in the 3-year period. The current Council Delivery Plan covers 2020-23 and resources are

earmarked through the reserves programme to enable the priorities in the Plan to be achieved.

The MTFS also covers a 3-year period and is closely linked to the Council Plan. Financial forecasting over a 3-year period provides opportunities over the medium term to assess costs, income, and savings to allow sufficient lead in time should adjustments be required.

The MTFS sets out the Council's reserves strategy to ensure sums have been set aside for known commitments and financial risks as well as earmarking resources to support delivery of the Council Plan. The Council has continued to build its reserves and contingencies to allow unforeseen issues to be managed over the medium term. This has allowed for the planned draw on reserves included in the MTFS and to allow savings plans to be deferred where necessary.

### How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The financial planning process includes engagement across the leadership team and the Executive. This approach across the Council provides the opportunity for all risks and opportunities to be identified. A briefing note is issued to the leadership team ahead of the financial planning process to prompt discussion and debate.

In line with the Prudential Code and the Council's Capital Strategy, the revenue implications of capital investment decisions are considered and form part of the MTFS planning and budget setting process to ensure such investments are fully funded. The MTFS includes plans for revenue, capital, required savings and investment, ensuring that all plans are aligned.

# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria - continued

### How the body identifies and manages risks to financial resilience

The Council’s MTFS process allows for emerging risks to be built into financial plans at either the annual review in July or the annual update for revenue budgets in February.

The MTFS process includes risk assessments in respect of funding streams, with the plan included models. Modelling of best-, mid-, and worst-case scenarios allows the Council to review its reserves position and ensure reserve levels are adequate for each scenario. The MTFS sets out the assumptions on which each of these scenarios are based.

The Council has quarterly budget monitoring arrangements in place. These arrangements allow for the identification of emerging risks, allowing the Council to update financial plans on an ongoing basis. Our review of minutes, key reports and our work on the financial statements has provided audit evidence of the Council’s budget monitoring arrangements.

The Council has an established Risk Management Strategy and framework in place which is overseen by the Audit and Governance Committee. Our attendance at Audit and Governance Committee has confirmed that risk management updates are provided.

**Overall. We are satisfied that there are no indications of a significant weakness in arrangements under the financial sustainability criteria.**

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# 3. Commentary on VFM arrangements

## Governance

How the body ensures that it makes informed decisions and properly manages its risks

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# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### How the Council monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council continues to have a risk management strategy and framework in place. The Audit and Governance Committee is responsible for considering the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements, and for the scrutiny and monitoring of control systems and procedures. This includes consideration and review of the work of internal audit.

The Council's internal audit plan is risk based and its development involves engagement with senior managers and Audit and Governance Committee members. Progress against the plan is reported to the Audit and Governance Committee, and the Committee receives internal audit reports for each review undertaken in year. Through our attendance at Audit and Governance Committee we have witnessed the challenge presented to management where agreed actions are not completed within agreed timescales. We also observed member scrutiny of management over matters raised in Internal Audit reviews. There is also a standing item which considers overdue Internal Audit recommendations/actions

The Head of Internal Audit Opinion for 2021-22 provided reasonable assurance in relation to the operation of the framework of governance, risk management and control operating at the Council. There was one limited assurance review in year, with actions being agreed to address the issues raised. The Council have a Counter Fraud Plan in place, with the Audit and Governance Committee receiving reports at each meeting. The Annual Report for 2021-22 not identifying any significant weaknesses in arrangements.

### How the Council approaches and carried out its annual budget setting

There continues to be a robust process in place in relation to annual budget setting. This begins with the review of the MTFs which acts as the framework for setting the annual budget. Budget setting follows a Council wide approach, with officers at all levels involved in the process. The Leadership Team discuss and agree the key assumptions, the timeline and scrutinise budget proposals put forward by Directorates.

### How the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

Regular financial performance reporting and monitoring procedures remained in place in 2021/22. Quarterly financial performance reporting is presented to the Scrutiny Committee and the Executive, with these reports detailing the reasons for any variances against budgets. Minutes from meetings demonstrate effective challenge from members in relation to financial performance monitoring. Financial reporting in year was consistent with the outturn position for 2021/22.

The financial statements timetable was, as in previous years, delivered in 2021/22 with the draft statements being published before the end of July 2022. Our audit work again did not identify any significant weaknesses in the accuracy of financial information reported or the process for preparing the financial statements. Management take action to address audit matters and to act on any audit recommendations in a timely and appropriate manner.

### How the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

Decision making and delegated responsibilities are set out in the Council's Constitution. The Forward Plan is published on the Council's website which sets out the key decisions that are planned to be made over the next 4-month period. All reports that are issued require input from the finance and legal teams to ensure that the information within them and the recommendations made are robust.

Three Committees are established to support the Council's overview and scrutiny activities: the Policy Review Committee's role is to contribute to the development of new Council policy and review the effectiveness of existing Council policy; the Scrutiny Committee scrutinises decisions and performance; and the Audit and Governance Committee reviews the Council's control framework and risk management systems. The Committee structure is designed to allow for challenge of decisions.

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

**How the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).**

The Council’s Constitution was last updated in July 2022. The Constitution includes policies and procedures that clearly set expectations in of the standards that must be met. These include financial procedure rules, contract procedure rules, the Councillor Code of conduct, and the Officer Code of Conduct.

There is an annual declaration of interest process in place for members and senior officers, with a register of interests being published on the Council website. Declarations of interest are a standing item on all Committee meeting agendas. Our work in respect of declarations and related party disclosures in the financial statements did not identify any significant weaknesses in arrangements.

The Council have contract procedure rules in place which require compliance with appropriate standards.

**Overall. We are satisfied that there are no indications of a significant weakness in arrangements under the governance criteria.**

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### 3. Commentary on VFM arrangements

#### Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

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# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

### How financial and performance information has been used to assess performance to identify areas for improvement

There is a performance management framework in place. Our review of minutes and key reports has confirmed that this operated throughout 2021/22. Both financial and non-financial performance is reported to the Leadership Team, Scrutiny Committee and Executive on a quarterly basis.

Non-financial performance reporting is split between progress against the Council Delivery Plan and performance against key performance indicators. Our review of minutes has confirmed that there is challenge of management, which covers both indicators where progress is positive and those where performance is poor

### How the Council evaluates the services it provides to assess performance and identify areas for improvement

In addition to the performance management framework, the Council have in prior years sought external challenge in the form of LGA Peer Review and Investors in People Assessment. Recommendations and issues arising from performance monitoring and external challenge are addressed and progress monitored through improvement plans.

### How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Council continues to be party to a number of partnership arrangements. Regular meetings are held with partners and stakeholder to monitor progress against agreed objectives and targets.

As part of the budget setting process the Council undertakes a public consultation process to seek the public views on budget proposals.

### Where the Council commissions or procures services, how the Council ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the Council assesses whether it is realising the expected benefits

The Council's Constitution includes Contract Procedure Rules and Financial Procedure Rules which set out the requirements when purchasing goods and services. The Council has a Commissioning and Procurement Team which manages and supports procurement activity. Where tendering is required, tender documents are produced in conjunction with service managers to ensure that these comply with procedures and to manage tender risks.

The Council have a contract register in place which is published on the Council's website. The register includes details of the start and end dates for contracts, the date when the contract is next due for review, the services/goods provided by the contract and the value. The Council publish information for suppliers on it's website providing details on how they can join the Council's list of suppliers. Where required, contracts have milestones built into them to ensure that delivery of the terms of the contract can be monitored.

Internal Audit undertake regular reviews of procurement and contract management. In July 2021 Internal Audit gave substantial procurement opinion for their 2021/22 review.

### Overall. We are satisfied that there are no indications of a significant weakness in arrangements under the economy, efficiency and effectiveness criteria.

# 04

Section 04:

## **Other reporting responsibilities and our fees**

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# 4. Other reporting responsibilities and our fees

## Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

## Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. Due to a delay in the provision of group instructions by the NAO we have not yet submitted this return.

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# 4. Other reporting responsibilities and our fees

## Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit and Governance Committee in April 2022. Having completed our work for the 2021/22 financial year, we can confirm that our fees are as follows:

Area of work	2020/21 fees	2021/22 fees
Planned fee in respect of our work under the Code of Audit Practice	£34,425	£34,425
Additional fees in respect of the new VFM approach	£9,000	£9,000
Additional fees in respect of additional work on PPE valuation and pension liability valuation	£9,800	£9,800
<b>Total fees</b>	<b>£53,225</b>	<b>£53,225</b>

## Fees for other work

In 2021/22 the Council has engaged Mazars LLP for the following non-audit services:

Housing Benefit Assurance - £14,925 plus VAT ( 2020-21 £14,000 plus VAT)

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