



Meeting: **AUDIT COMMITTEE**  
Date: **19 JUNE 2012**  
Time: **5.00PM**  
Venue: **COMMITTEE ROOM**  
To: **Councillors Mrs E Casling (Chair), J Cattanach, J Crawford,  
M Dyson, Mrs C Mackman (Vice Chair), Mrs M McCartney,  
I Nutt, R Packham, I Reynolds**

## Agenda

**1. Apologies for absence**

**2. Disclosures of Interest**

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

**3. Minutes**

To confirm as a correct record the minutes of the proceedings of the meeting of the Audit Committee held on 18 April 2012.  
Pages 3 to 7 attached.

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

**5. Timings of Meetings**

**6. Audit Committee Work Programme 2012/2013**  
Pages 8 to 11 attached

**7. A/12/1 – Internal Audit Annual report 2011/12**

To receive the report of the Executive Director (S151) Pages 12 to 19 attached

**8. Private Session**

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

**9. A/12/2 – Risk Management Annual Report**

To receive the report of the Executive Director (S151) Pages 20 to 22 attached

**10. A/12/3 – Review of the Corporate Risk Register**

To receive the report of the Executive Director (S151) Pages 23 to 43 attached

**11. A/12/4 – Review of the Access Selby Risk Register**

To receive the report of the Managing Director of Access Selby Pages 44 to 54 attached

**12. A/12/5 – Review of the Communities Selby Risk Register**

To receive the report of the Director of Communities Selby Pages 55 to 60 attached

**Jonathan Lund**  
**Deputy Chief Executive**

<b>Dates of next meetings</b>
26 September 2012
16 January 2013
17 April 2013

Enquiries relating to this agenda, please contact Richard Besley on:  
Tel: 01757 292227  
Email: rbesley@selby.gov.uk

# Minutes

## Audit Committee

Venue:	Committee Room
Date:	18 April 2012
Present:	Councillor Mrs Casling (Chair), Councillor Dyson, Councillor Mrs Mackman, Councillor Nutt, Councillor Packham and Councillor Reynolds
Apologies for Absence:	Councillor Cattanach, Councillor Crawford and Councillor Mrs McCartney
Officers Present:	Roman Pronyszyn, Veritau; John Barnett, Veritau; Rob Chambers, Audit Commission; Karen Iveson, Executive Director; Eileen Scothern, Business Manager and Richard Besley, Democratic Services

### **34. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **35. CHAIR'S ADDRESS**

The Chair welcomed councillors and Roman Pronyszyn from Veritau who was attending his first meeting.

The Chair highlighted the items coming back to the Committee as matters arising. The Chair had asked the relevant Officers to provide written guidance/evidence to avoid Officers having to attend the meeting.

### **36. MINUTES**

#### **RESOLVED:**

**To receive and approve the minutes of the Audit Committee held on 4 January 2012 and they are signed by the Chair.**

## **37. MATTERS ARISING**

### **37.i Closed Burial Grounds**

Business Manager, Eileen Scothern, for the Assets Team informed the Committee that the Council has responsibility for 10 current Burial Grounds that are surveyed quarterly. The average annual cost to the Council was £15k, although that can change if any work were to be required.

The Business Manager informed the Committee that there were two potential new sites at Brayton and Sherburn in Elmet.

The Committee were concerned of the potential liability as Parishes would not have the resources to support them and agreed that the SADPD should include provision for Burial Grounds.

### **37.ii Barlow Common Update**

The Committee noted the Maintenance Plan submitted by the Business Manager, Sarah Smith.

Other than some work done by volunteers the routine supervision and maintenance of the site was carried out by Enterprise.

The current plan was ongoing but was a temporary solution while the Council prepares its long-term Countryside Management and Green Space Strategy.

### **37.iii Partnerships**

The Risk Management Plan for established contracts and partnerships was circulated by Janette Barlow, Director of Business Services.

The plan identified the need for an effective Service Level Agreement (SLA).

The Executive Director (s151) confirmed the SLA is now in place and that funding was within the approved funding arrangements.

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

The Committee noted the report from Janette Barlow, Director of Business Services. The original survey and newsletter would be circulated to the Committee.

#### **RESOLVED:**

**To receive and approve the report.**

### **38. AUDIT COMMISSION 2012/13 AUDIT PLAN**

Rob Chambers, Audit Manager at the Audit Commission presented the Audit Commission 2012/13 Audit Plan and identified the three major risks.

- Pensions Funding
- Valuation of Property, plant and equipment
- HRA reform

The Audit Manager confirmed the Value for Money conclusion identified no problems. He confirmed that the Annual Audit letter would be submitted by the end of October.

#### **RESOLVED:**

**To receive and approve the report.**

### **39. A/11/18 – INTERNAL AUDIT QUARTER 3+ REPORT 2011/12**

Roman Pronyszyn and John Barnett, Veritau presented the Internal Audit Quarter 3+ report and confirmed that most audits had been completed, while those remaining were in draft report form awaiting completion.

They confirmed that the three reports called-in by the Committee at its last meeting would be followed up and a report back would be made to the Committee.

The Executive Director (s151) confirmed that performance has held over the last year despite all the operational changes and constraints.

The Committee were concerned at the number of repeated issues and recurring recommendations

#### **RESOLVED:**

**To receive and approve the report.**

### **40. A/11/19 – INTERNAL CHARTER, TERMS OF REFERENCE AND AUDIT PLAN**

Presented by John Barnett, Veritau, the report identified the Internal Audit function taken over by Veritau on the 1<sup>st</sup> April from the North Yorkshire Audit Partnership and their terms of reference.

The report also sets out Veritau's Plan for the next three years identifying service areas to be audited and the planned reduction of audit man days from 375 in 2012/13 to 350 in 2013/14 and 2014/15.

The Officer confirmed that the Plan had been to the Access Selby Board and the Council's Corporate Management Team who had brought it before Audit Committee for approval.

**RESOLVED:**

**To receive and approve the report.**

**41. A/11/20 – ACCOUNTS AND AUDIT REGULATIONS 6 REVIEW**

John Barnett, Veritau, presented the report which offered the Committee an opportunity to review the service the internal Audit partnership provided.

The report contained the results from the Service Manager Surveys conducted at the end of Audits and reported the comments from Senior Officers.

The Audit Manager confirmed the trend is identifying risks and controls. He stressed that it was not only about recognising under-control but where over-control is employed recommending scaling back processes.

The Audit Manager confirmed that all Audit objectives are agreed between the Auditor and client before the audit commences.

**RESOLVED:**

**To receive and approve the report.**

**42. A/11/21 – AUDIT COMMITTEE ANNUAL REPORT**

The Executive Director (s151) presented the Chair's Annual Report to the Committee.

**RESOLVED:**

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

**43. A/11/22 – AUDIT COMMITTEE WORK PROGRAMME 2012/13**

The Executive Director (s151) presented the 2012/13 Audit Committee Work Programme.

Councillors asked that the item on the Internal Audit Annual Plan scheduled for June 2012 be removed as it had been discussed earlier in the agenda.

**RESOLVED:**

**To approve the work programme for submission to Council.**

The meeting closed at 6:15pm

ITEM 6.



**Audit Committee Work Programme 2012/13**

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



	<p><b><u>Committee Requested Item</u></b> Review of the Access Selby Risk Register</p>	To review the latest Access Selby Risk Register
	<p><b><u>Committee Requested Item</u></b> Review of the Communities Selby Risk Register</p>	To review the latest Communities Selby Risk Register

26 September 2012	<p><b><u>Committee Requested Item</u></b> Statement of Accounts (post audit)</p>	To approve the Statement of Accounts
	<p><b><u>Committee Requested Item</u></b> Annual Governance Statement</p>	To approve the Annual Governance Statement
	<p><b><u>Committee Requested Item</u></b> 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><b><u>Committee Requested Item</u></b> Counter Fraud Annual Report</p>	To review the Counter Fraud Annual Report
	<p><b><u>Committee Requested Item</u></b> Internal Audit Quarter 1+Report 2012/13</p>	To review progress against the Internal Audit Plan

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

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

**Report Reference Number: A/12/1**

**Agenda Item No: 7**

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**To:** Audit Committee  
**Date:** 19<sup>th</sup> June 2012  
**Author:** John Barnett; Audit Manager; VNY  
**Lead Officer:** Karen Iveson; Executive Director (s151 Officer)

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**Title:** Annual Internal Audit Report 2011/2012

**Summary:** The purpose of the report is to present the Internal Audit Annual Report for 2011/2012. That report is prepared by Veritau North Yorkshire (VNY), based on work carried out by the North Yorkshire Audit Partnership (NYAP) during the period April 2011 to March 2012.

**Recommendation:**

**It is recommended that the attached report for 2011/12 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).
- 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 2012. The Statement of Assurance that 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 the Partnership in delivering internal audit to Selby DC.
- 2.3 The Audit Partnership 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 review provides an overall opinion and assurance that given all the circumstances pertaining with the Internal Control Environment in Selby during 2011/12 to date that it is considered as 'satisfactory standard' that was achieved.

### **5. Background Documents**

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

[John.barnett@veritau.co.uk](mailto:John.barnett@veritau.co.uk)

*01757/292281*

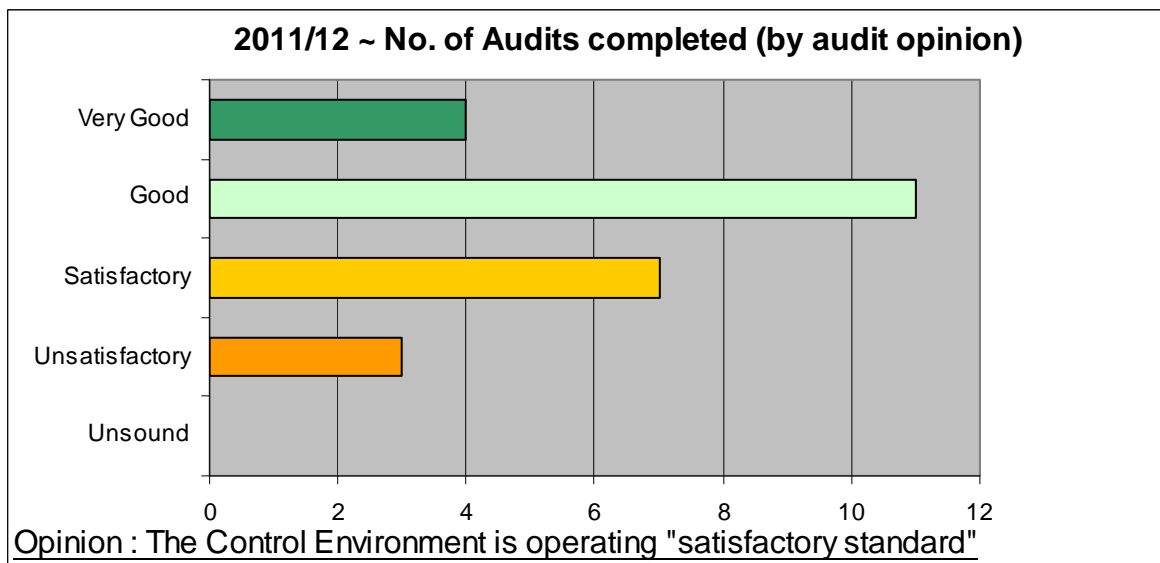
*Roman Pronyszyn; Client Relationship Manager; Veritau*

[roman.pronyszyn@veritau.co.uk](mailto:roman.pronyszyn@veritau.co.uk)

**Appendices: - Annual Internal Audit Report 2011/2012 - North Yorkshire Audit Partnership**

# Internal Audit Annual Report

**Selby DC  
June 2012**



Audit Manager :

John Barnett

Client Relationship Manager:

Roman Pronyszyn

Head of Internal Audit:

Max Thomas

Circulation list:

Members Audit & Governance Committee  
Chief Executive  
Executive Director (s151 Officer)

## Background

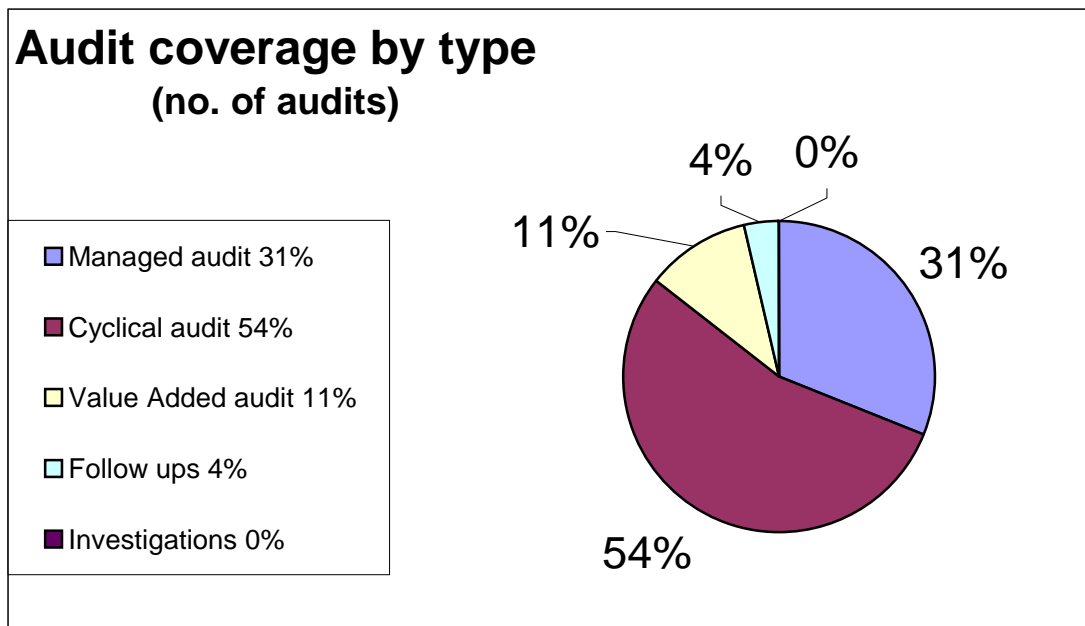
- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2011 and the CIPFA Code of Practice for Internal Audit in Local Government (2006). In accordance with the Code of Practice, the Head of Internal Audit is required to report to those charged with governance the findings of 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 April 2011 to March 2012 the Council's internal audit service was provided by the North Yorkshire Audit Partnership (NYAP). From 1<sup>st</sup> April 2012, NYAP was dissolved and responsibility for the provision of the internal audit service transferred to Veritau North Yorkshire Ltd. (VNY), which is part of the Veritau group.
- 3 Audit work was undertaken across all of the Council's services and activities in accordance with a three year Internal Audit Plan approved by the Audit and Governance Committee in April 2011.

## Internal Audit Work Carried Out 2011/12

- 4 During the 2011/12 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, twelve material systems were reviewed, all apart from three were rated as "Good" or "Very Good". Benefits, Council House Repairs and Asset Management were rated as "satisfactory" (the establishment of the new Council structure led to a number of control weaknesses in key areas).
  - **Cyclical Audit;** this represents the bulk of the internal audit programme. One system was rated as "very good" and five systems as "good". Insurance was deemed to be "satisfactory" (the risks around contract documentation, claims reporting and asset valuations); ICT 10/11 was "satisfactory" (risks mainly around web usage and management); Performance Management was "satisfactory" (risks around the usage and management of the Covalent system). Property Rentals was rated as "unsatisfactory" (management of the system was poor uncollected debt was not rigorously enforced); Stores was "unsatisfactory" (management of the Stores system was poor); and ICT 2011/12 is still 'in progress'.
  - **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 A.
  - **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 D&B in order to confirm the financial robustness of contractors.

- **Risk Management;** during the year NYAP 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 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.

5. The chart below shows the spread of audit assignments



6 Appendix A shows the final table of audit work carried out, and the audit opinion associated with the audits completed. This section of the annual report focuses on measuring the performance of the North Yorkshire Audit Partnership specifically against the delivery of the internal audit service to Selby District Council.

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

7 All NYAP 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,

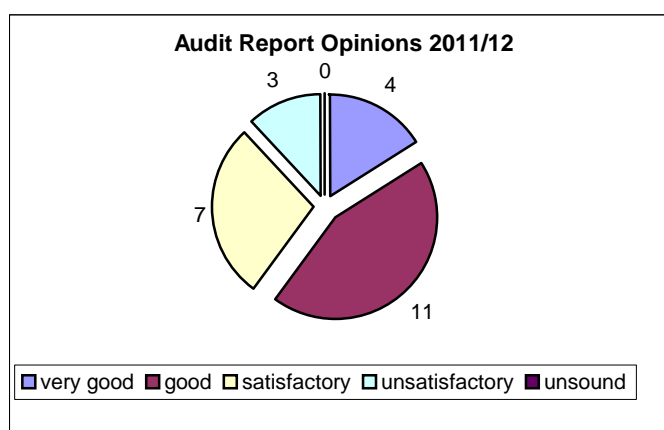


- (d) draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement,
- (e) compare work actually undertaken with the work that was planned and summarise the performance of the Internal Audit function against its performance measures and criteria,
- (f) comment on compliance with these standards and communicate the results of the Internal Audit quality assurance programme.

8 The overall opinion of the Head of Internal Audit on the controls operated in Selby District Council is that they were of a **satisfactory standard** (this is further expanded below detailing the main areas for which assurance is provided). There are no qualifications to that opinion. No reliance was placed on the work of other assurance bodies in reaching this opinion. There are no significant control related issues which, in the opinion of the Head of Internal Audit need to be considered for inclusion in the Annual Governance Statement.

The Assurance:	
Risk Management	<p>The Council has embedded Risk Management arrangements within the organisation.</p> <p>The acquisition of Performance Management software has given added impetus to the process, and probably facilitates a wider acceptance and understanding of the benefits of Performance Management.</p>
Governance	<p>Our work this year leads us to the overall opinion that the Corporate Governance arrangements are sound.</p>
Internal Control	<p>Our overall opinion is that the internal controls within the financial systems in operation throughout the year are fundamentally sound. (85% of audits completed had a 'very good', 'good' or 'satisfactory' audit opinion.)</p> <p>This is based upon our examination of the key financial systems as part of the managed audit approach, and the other financial systems that were actually audited. On that basis and our previous experience and knowledge there is no reason to believe that the systems are other than sound.</p>

Table of 2011/12 audit assignments completed



Audit	Status
<u>Material Systems (AC definition)</u>	
Benefits	Completed - Satisfactory
Council House Repairs	Completed – Satisfactory
Council Tax	Completed - Good
Creditors	Completed – Satisfactory
Debtors	Completed – Very Good
General Ledger	Completed – Very Good
Housing Rents	Completed – Good
Income (Cash Receipting) System	Completed – Good
NNDR	Completed – Good
Treasury Management	Completed – Very Good
Capital Accounting/Asset Management	Completed – Good/Satisfactory
Payroll	Completed - Good
<u>2011/12 Audit plan work</u>	
Homelessness Accommodation	Completed – Very Good
Benefit Fraud (inc NFI)	Completed - Good
Taxi Licensing	Completed - Good
Insurance	Completed - Satisfactory
Property Rentals	Completed - Unsatisfactory
Vehicle Management	Completed - Good
Parks & Rec Grounds – Enterprise Contract	Completed - Good
Stores	Completed - Unsatisfactory
Recycling & Waste Management – Enterprise Contract	Completed – Good/Unsatisfactory
ICT 2010/11	Completed – Satisfactory
Performance Management/Data Quality	Completed - Satisfactory

Audit	Status
Development Policy	Deferred
Environment Health – Service Provision	Deferred
Risk Management Process	Deferred
<u>Follow Ups: 2011/12 Audits</u>	
Debtors	Completed – Action plan recommendations: - 6 recommendations implemented; 1 recommendation not implemented
Council Tax	Completed – Action plan recommendations: - 2 recommendations partially implemented; 2 recommendations not implemented
Creditors	Completed – Action plan recommendations: - 3 recommendations implemented; 1 recommendation partially implemented
Benefits	Completed – Action plan recommendations: - 3 recommendations implemented; 1 recommendation partially implemented; 1 recommendation not implemented
Income	Completed – Action plan recommendations: - 3 recommendations implemented; 1 recommendation partially implemented
NNDR	Completed – Action plan recommendations: - 2 recommendations implemented; 2 recommendations partially implemented; 2 recommendations not implemented
Council House Repairs	Completed – Action plan recommendations: - 1 recommendation not yet due; 2 recommendations not implemented
General Ledger	Completed – Action plan recommendations: - 1 recommendation implemented
Insurance	Completed – Action plan recommendations: - 2 recommendations implemented; 2 recommendations partially implemented; 1 recommendation not implemented
Property Rentals	Completed – Action plan recommendations: - 3 recommendations implemented; 3 recommendations not implemented
Stores	Completed – Action plan recommendations: - 9 recommendations implemented