



Meeting: **AUDIT COMMITTEE**
Date: **16 JANUARY 2013**
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**

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 26 September 2012.

Pages 4 to 7 attached.

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

5. A/12/11- External Audit Progress Report

To receive the report of the Audit Manager, Mazars, pages 8 to 17 attached.

6. A/12/12 – Annual Governance Statement – Action Plan Review

To receive the report of Executive Director (S151), pages 18 to 21 attached.

7. A/12/13 – Internal Audit Quarter 2+ Report 2011/12

To receive the report of Executive Director (S151), pages 22 to 39 attached.

8. A/12/14 – Audit Annual Letter 2011/12

To note the Audit Commission letter, page 40 attached as previously circulated to all members.

9. A/12/15 – Audit of Grant Claims and Returns 2012/13

To note the External Auditor's report, pages 41 to 45 attached.

10. 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.

11. A/12/16 – Review of Risk Management Strategy

To receive the report of Executive Director (S151), pages 46 to 62 attached.

12. A/11/17 – Review of Corporate Risk Register

To receive the report of Executive Director (S151), pages 63 to 81 attached.

13. A/11/18 – Review of Access Selby Risk Register

To receive the report of Access Selby Director of Business Services, pages 82 to 95 attached.

14. Review of Draft Work Programme 2013/14

To consider the draft Work Programme for 2013 – 2014, pages 96 to 99 attached.

Jonathan Lund
Deputy Chief Executive

Dates of next meetings
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:	26 September 2012
Present:	Councillors Mrs E Casling (Chair), J Crawford, M Dyson, Mrs C Mackman (Vice Chair), Mrs M McCartney, and I Reynolds
Apologies for Absence:	Councillors J Cattanach, I Nutt and R Packham
Officers Present:	Roman Pronyszyn, Veritau; John Barnett, Veritau; Rob Chambers, The Audit Commission; Karen Iveson, Executive Director; Nicola Chick , Lead Officer for Finance and Richard Besley, Democratic Services Officer

13. DECLARATIONS OF INTEREST

There were no declarations of interest.

14. MINUTES

RESOLVED:

To receive and approve the minutes of the Audit Committee held on 19 June 2012 and they are signed by the Chair.

15. CHAIR'S ADDRESS

The Chair notified the Committee that final Audit Reports of Service Areas would no longer be emailed to the Committee. This is in line with other Councils where Veritau act as Internal Auditors. The completed reports will continue to be summarised in Veritau's quarterly report for scrutiny by the Committee, allowing the call-in of any report of limited assurance.

16. A/12/6 – STATEMENT OF ACCOUNTS (POST AUDIT)

The Executive Director (s151) presented the report which enabled Councillors to undertake an examination of the Council's financial accounts for the financial year 2011-12.

The format of the accounts meets the requirements of the International Financial Reporting Standards (IFRS).

The Director informed the Committee that the accounts had been audited and had been made available for public inspection in line with regulatory requirements.

The accounts identify the cost to the Council of the HRA self financing settlement to the Government as an exceptional item and reflect the impairment in valuation of the Abbey Leisure Centre following the fire at the end of February 2012.

RESOLVED:

To receive and approve the 2011-12 Statement of Accounts.

17. A/12/7 – ANNUAL GOVERNANCE STATEMENT 2011/12

The Executive Director (s151) presented the Annual Governance Statement (AGS) 2011/12 and explained that the statement needed to be approved by the Committee and signed by the Leader of the Council and the Chief Executive.

The Statement met a legal requirement to review the effectiveness of the Council's system of internal control.

The report's appendix itemised the key elements of the Governance framework and reported changes in the organisational structure.

The report identified three issues for improvement and a summary of action taken and proposed.

The Chair asked for an update on the issues at the next meeting.

RESOLVED:

To receive and approve the Annual Governance Statement for 2011-12.

18. A/12/8 – AUDIT COMMISSION'S ANNUAL GOVERNANCE REPORT AND OPINION ON THE FINANCIAL STATEMENTS

Rob Chambers, Manager for the Audit Commission presented the report which summarised the findings from the 2011/12 audit which was substantially complete.

The Manager reported that the Commission were to issue an unqualified opinion on the 2011/12 financial statements.

The Report identified the risks to the Council and Mr Chambers confirmed that an action plan had been agreed with the Executive Director (s151).

The Commission recognised the Council's financial resilience through the work done to achieve savings and the success of Access Selby.

RESOLVED:

To receive and approve the report.

19. A/12/9 – COUNTER FRAUD ANNUAL REVIEW

John Barnett, Audit Manager for Veritau presented the report which brought the Committee up to date with the Council's counter fraud approach and outcomes and appraised them of the key contents of the Cipfa report 'Managing the Risk of Fraud' and the attached self-assessment.

The Appendix identified ongoing Assessments.

- i) To receive and approve the report.**
- ii) To note the actions identified in Appendix A, the self-assessment and the outcomes set out in Appendix B.**

20. A/12/10 – INTERNAL AUDIT PROGRESS REPORT 2012-13

John Barnett, Audit Manager for Veritau presented the report which identified the work of Veritau and Audit reports within the first quarter of 2012-13 and confirmed that the overall opinion, to date, was of substantial assurance.

Mr Barnett confirmed that the progress report indicated the position of audits up to the 31 August and that considerable work had been done since then, with 45% of the annual work done in under half a year.

Mr Barnett highlighted that two completed audits identified elements of over control and that revised procedures will lead to reduced action and therefore cost savings.

It was agreed to move to private session.

21. PRIVATE SESSION

RESOLVED:

In accordance with Section 100(A)(4) of the Local Government Act 1972 and in view of the nature of the business to be transacted, to exclude the press and public from the meeting during discussion of the following item as there is likely to be disclosure of exempt information.

The Executive Director and Audit Manager provided more detail on the problems identified during the Audit on Mobile Telephones. Subsequent, action had been taken to improve processes and the Audit opinion would now be one of substantial assurance.

The Executive Director reported that there had been no indication of fraudulent activity and that a process of adequate and proportionate control was in place.

The Audit Manager confirmed that a follow-up Audit was conducted.

RESOLVED:

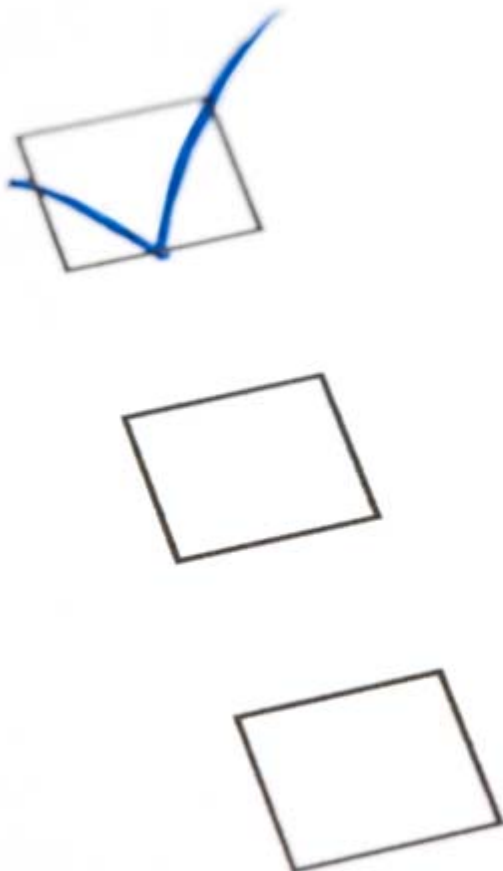
To receive and approve the report.

The meeting closed at 5:59pm

Selby District Council

Audit Progress Report

18 December 2012



Contents

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

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

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

01



Purpose of this paper

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

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

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

02

Summary of audit progress



Since the last Audit Committee:

- The audit team have completed the transfer of employment from the Audit Commission to Mazars LLP and we have commenced our appointment as your external auditor for 2012/13
- We have issued a fee letter to the Chief Executive confirming that the audit fee is in line with the Audit Commission's scale fee for the Council of £58,710 for the audit and £19,650 for certifying your claims and returns
- We have met with the Chief Executive, Deputy Chief Executive and Chief Financial Officer to commence planning of the 2012/13 audit

At the next Audit Committee we will present the Audit Strategy Memorandum. This will set out the risks we have identified for the audit, for both the opinion on the statement of accounts as well as the value for money conclusion, and our approach to the audit.

03



Emerging issues and developments

The following pages outline for your attention some significant emerging issues and developments from November and December 2012 in respect of:

- Localisation of business rates, and localising council tax support
- Tough Times 2012, Councils' responses to a challenging financial climate
- Protecting the public purse 2012, Fighting fraud against local government
- Consultation on 2013/14 audit fees and work programme
- Striking a balance , Improving councils' decision making on reserves
- Auditing the accounts 2011/12: Quality and timeliness of local public bodies' financial reporting
- Closedown workshops for finance staff

Emerging issues and developments

Issue / development	Audit Committee considerations
<p>Localisation of business rates Following consultation DCLG published details of the localisation of business rates. Local government will retain a 50 per cent local share of business rates and then keep a 50 per cent share of any growth generated, subject to a levy – which will be a maximum of 50p in the pound. DCLG also confirm that the safety net for when councils experience unexpected drops in revenue will guarantee a real terms income from business rates of 92.5 per cent.</p>	<p>Are you aware of the new arrangements and their impact on the Council?</p>
<p>Localising Council Tax support The Local Government Finance Act which gained Royal assent in October 2012, allows local councils in England to design their own council tax support schemes from April 2013.</p>	<p>Are you aware of how the Council is responding to these new rules?</p>
<p>Tough Times 2012 This report finds that in 2011/12, the second year of the four-year Spending Review, councils largely delivered their planned savings and in many cases added to reserves. However, auditors reported that signs of financial stress were visible with 12 per cent of councils not well-placed to deliver their 2012/13 budgets and a further 25 per cent will cope, but may struggle in the remaining years of the Spending Review period. The report is the second in the Audit Commission's Tough times series.</p>	<p>Are you aware of how well the Council is responding to the financial pressures?</p>

Emerging issues and developments

Issue / development	Audit Committee considerations
<p>Protecting the public purse 2012 This Audit Commission report finds that councils are targeting their investigative resources more efficiently and effectively, detecting more than 124,000 cases of fraud in 2011/12 totalling £179 million. But it urges councils not to drop their guard, as new frauds are emerging in areas such as business rates and Right to Buy housing discounts. The report contains an updated checklist which gives organisations an opportunity to consider how effective they are at responding to the risk of fraud.</p>	<p>Are you satisfied with the Council's arrangements for preventing and detecting fraud and corruption?</p>
<p>Consultation on 2013/14 audit fees and work programme The Audit Commission has proposed that the 2013/14 work programme will be unchanged and that the scale fees will therefore be unchanged from the 2012/13 fees.</p>	<p>For information.</p>

Emerging issues and developments

Issue / development	Audit Committee considerations
<p>Striking a balance, Improving councils' decision making on reserves</p> <p>This Audit Commission report found that English councils held £12.9 billion in their reserves at 31 March 2012, and that reserves have increased by 36% in real terms since 2006/07.</p> <p>The Commission has called upon councils to improve their decision making around reserves. Given the sums involved, and the current financial challenges, councils should focus more attention on their reserves and the purposes for which they hold them. All councils should ensure that their decisions have been clearly explained to taxpayers and service users.</p>	<p>Are you satisfied that the Council has fully considered the reserves it has and the reasons for holding them?</p>
<p>Auditing the accounts 2011/12: Quality and timeliness of local public bodies' financial reporting</p> <p>This Audit Commission report summarises the financial reporting outcomes for local authorities and other bodies within its regime. Audit opinions were issued at 98% of councils by 30 September 2012. The report names authorities that produced their accounts early and also names those where there were delays or non standard wording to the auditor's reports.</p>	<p>Selby District Council is not named in the report, and achieved an unqualified audit opinion and value for money conclusion by the required statutory deadlines.</p>

Emerging issues and developments

Issue / development	Audit Committee considerations
<p>Closedown workshops for finance staff In the New Year we will be providing a workshop for finance staff on accounting and auditing issues relating to the closedown and preparation of the 2012/13 statement of accounts.</p>	For information.

04

Contact details



Cameron Waddell Director and Engagement Lead
cameron.waddell@mazars.co.uk
0191 383 6314
07813 752 053

Gavin Barker Senior Manager
gavin.barker@mazars.co.uk
0191 383 6321
07896 684 771

Address: Rivergreen Centre
Aykley Heads
Durham, DH1 5TS

To: Audit Committee
Date: 16 January 2012
Author: Richard Besley, Democratic Services
Lead Officer: Karen Iveson; Executive Director (s151 Officer)

Title: Annual Governance Statement 2011/2012 – Action Plan Review

Summary: To review progress on the Annual Governance Statement (AGS) 2011/12 Action Plan approved in September.

Recommendation:

It is recommended that the Action Plan for the Annual Governance Statement for 2011/12 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 26 September 2012 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

(a.) None.

3.2. Financial Issues

(a.) 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: *Richard Besley*
Democratic Services
Tel: 01757 292227
rbesley@selby.gov.uk

Appendices:

Appendix A – AGS 2011/12 Action Plan

Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
2011/12	The Council needs to improve the quality and robustness of its contract documentation especially where services are provided, or are to be provided through any form of joint working, whether public or private sector.	Recent internal audit work has highlighted some concerns in this area. Furthermore as joint working extends the council must be able to monitor and manage those arrangements effectively.	To be included with the work of the Lead Officer- Legal	Lead Officer- Legal 30 th September 2012	January 2012 Internal Audit report that no further concerns have been raised.
2011/12	A number of concerns have been raised during the year with reconciliations between feeder and the main accounting system. As these are key building blocks of the council's accounting processes it is important that they are maintained effectively (i.e. timely, and accurately with variances being reported and investigated where required).	Internal Audit Reports	The Lead Officer - Finance will ensure that reconciliations are maintained up-to-date.	The Lead Officer - Finance and Access Selby Directors 30 th September 2012	January 2012 There continue to be concerns over reconciliations for housing rents and housing benefits. The former have not been reconciled since March 2012 and the latter have been reconciled to the end of June 2012. This matter has been raised with the Lead

Annual Governance Statement Action Plan

Appendix A

Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
					Officer Finance, the relevant Access Selby Business Manager and Access Selby Directors. Targeted efforts to resolve the issues will ensure all reconciliations are up to date by the end of the current financial year and monthly progress will be reported to the S151 Officer.
2011/12	There is a lack of capacity and expertise in financial administration within Business Support.	Internal Audit Reports, Internal transformation projects	Roles being reviewed, some additional capacity recruited and training being provided although more is needed.	Business Manager(s) 30 th September 2012	January 2012 Additional training has been provided and capacity & expertise within Business Support has been enhanced.

To: Audit Committee
Date: 16 January 2013
Author: John Barnett; Audit Manager; VNY
Lead Officer: Karen Iveson; Executive Director (s151 Officer)

Title: Internal Audit Progress Report 2012/13

Summary: The purpose of the report is to present the Internal Audit Progress Report for the period April to December 2012.

Recommendations:

It is recommended that the attached report be approved.

Reason 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 2012/13 at the meeting of Committee held on the 18th April 2012. The purpose of the report is to inform Members of the progress made to date in delivering the 2012/13 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

(a.) None.

3.2. Financial Issues

(a.) None.

4. Conclusion

- 4.1. Veritau are making good progress in the delivery of the agreed internal audit plan and there are no significant delays anticipated. Thus far, 15 audits have been completed to final report stage out of 27. This represents 56% of the plan completed. Based on our work thus far, we are satisfied that an opinion of **Substantial Assurance** can be given. However, as the plan is still in progress, this opinion may change to reflect the findings emerging from audit reviews later in the year.

5. Background Documents

Contact Officer: *John Barnett; Audit Manager; Veritau North Yorkshire;*
John.barnett@veritau.co.uk
01757/292281

Roman Pronyszyn; Client Relationship Manager; Veritau
roman.pronyszyn@veritau.co.uk

Appendices: - Internal Audit Progress Report 2012/2013 – Veritau



Selby District Council
Internal Audit Progress Report 2012-13
Period to 31 December 2012

Audits Completed to 31 December 2012	
High Assurance	6
Substantial Assurance	6
Moderate Assurance	1
Limited Assurance	2
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 Committee
Chief Executive
Executive Director (S151 Officer)

Date: 31 December 2012

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 a three year Audit Plan covering the period 2012/13 – 2014/15 at their meeting on the 18th April 2012. The total number of planned audit days for 2012/13 is 375. This report summarises progress made in delivering the agreed plan.

Internal Audit Work Carried Out 2012/13

- 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 2012/13.
- 3.1 Veritau officers are involved in a number of other areas relevant to corporate matters:
 - **Support to the Audit & Governance Committee;** this is mainly ongoing 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 Dunn & Bradstreet (Credit Rating Agency) in order to confirm the financial robustness of contractors.
 - **Risk Management;** Veritau facilitate the Council's Risk Management process and advised 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, 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 **15** out of **27** internal audit reviews to final report stage. In addition, draft reports for a further **3** reviews have been issued. This represents **56%** of the plan delivered to final report stage.

3.7 In only two instances were final audit reports issued which gave a less than satisfactory opinion (Limited Assurance): Mobile Telephones and ICT Contingency Planning (11/12). In both cases we are satisfied that management are implementing appropriate action to address the weaknesses identified.

3.8 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 2012/13 audit assignments completed

Audit	Status	Audit Committee
<i>Material Systems (AC definition)</i>		
Benefits	In Progress	
Council House Repairs	Completed ~ Substantial Assurance	January 2013
Council Tax/NNDR	In Progress	
Creditors	Not Started	
Debtors	Draft	
General Ledger	Not Started	
Housing Rents	Completed ~ Substantial Assurance	January 2013
Income (Cash Receipting) System	In Progress	
Treasury Management	Completed ~ High Assurance	January 2013
Capital Accounting/Asset Management	Completed ~ High Assurance	January 2013
Payroll	Draft	
<i>2012/13 Audit plan work</i>		
Members Allowances	Completed ~ Substantial Assurance	September 2012
The Business – Access Selby	In progress	
Disabled Adaptations	Completed ~ Moderate Assurance	September 2012
Sheltered Accommodation	Completed ~ Substantial Assurance	September 2012
Development Control	In Progress	
ICT	In Progress	
ICT 2011/12	Completed ~ Limited Assurance	January 2013
Civil Contingencies (Business Continuity)	Completed ~ High Assurance	January 2013
Land Sales	Completed ~ High Assurance	January 2013
Closed Burial Grounds	Completed ~ Substantial Assurance	September 2012
Officers Allowances	Completed ~ Substantial Assurance	September 2012
Equalities	Completed ~ High Assurance	January 2013
Partnership Arrangements	Draft	
Performance Management/Data Quality	In Progress	
Mobile Telephones	Completed ~ Limited Assurance	September 2012
Tax Management	Completed ~ High Assurance	September 2012
<i>Follow Ups:</i>	Completed ~ see below for follow up action against 'key weaknesses'.	

Summary of Key Issues from audits completed to 31 December 2012; not previously reported to Committee

	System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
	Council House Repairs	Substantial Assurance	A review to ensure that Council houses are appropriately maintained in line with the Right to Repair Scheme 1994.	20 November 2012	<p>Strengths The systems and controls have not changed significantly since the last audit when the overall control environment was rated as “satisfactory”.</p> <p>The allocation of jobs to tradesmen and contractors worked effectively with little evidence of delayed repairs. Customer satisfaction surveys were generally very positive.</p> <p>Key Weaknesses The asset team does not undertake any post completion inspections, relying on customer satisfaction survey feedback. This issue had also been raised by the Audit Commission in their recently issued Pre-statements report</p>	<p>A 5% sample of completed works for contractors will be inspected to ensure that work has been carried out as planned and that any materials invoiced appear to have been utilised. For SDC tradesmen, sample checks will be introduced if satisfaction survey responses dip below 95% satisfied. <i>31 December 2012</i></p> <p><i>F/U - confirmed that Asset Coordinators have been requested annotate invoices on DIP when inspections have been undertaken and Lead Officer will monitor these.</i></p>

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

	System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
	Treasury Management	High Assurance	To ensure that funds are securely and wisely invested/borrowed.	14 September 2012	<p>Strengths Treasury Management duties are undertaken by a small team of experienced officers within Finance under the guidance of the Lead Officer. The systems and controls have not changes significantly since the last audit when the overall control environment was seen to be a 'good' standard.</p> <p>Key Weaknesses There were no key weaknesses identified.</p>	
	Capital Accounting/Asset Management	High Assurance	To confirm that the 'capital' and Assets are treated, in the accounts, with agreed/legislative standards.	14 November 2012	<p>Strengths Capital Accounting is controlled effectively by the small experience Finance Team under the direction of the Lead Officer.</p> <p>Key Weaknesses There were no key weaknesses identified.</p>	Only verbal recommendations.

	System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
	ICT 2011/12	Limited Assurance	To ensure that physical security and disaster recovery arrangements are robust.	29 November 2012	<p>Strengths It systems are efficiently supported by able officers.</p> <p>Key Weaknesses Officers are unaware of how to operate the FM200 Fire Suppression system control panel. In addition someone (thought to be the Building Manager) switches the extinguishing system from 'automatic' to 'manual' before entering the suite, but forgets to switch it back again when leaving.</p> <p>The back up media, which is stored at the Vivars, is carried out every 4th week. In the worst scenario if the Civic Centre was lost immediately lost just before a new 4 week tape was to be taken off-site, then 4 weeks worth of data could be lost.</p> <p>The key to the Vivars store is kept in the IT Suite at the Civic Centre. In the event of a disaster, this room would not be accessible, staff would therefore find it difficult to access the tapes required to restore the systems.</p>	<p>Key staff to be trained in the use of the FM200 Control Panel. <i>Complete.</i></p> <p>Discussions to be held with the Building Manager. <i>August 2012.</i></p> <p><i>F/U – completed.</i></p> <p>Timing sensitivity and storing of back-up tapes will be reviewed as part of BCP/DR update. <i>Immediate.</i></p> <p><i>F/U – linked to the formation of the BC and DR Plans.</i></p> <p>Additional keys to be held at Vivars. <i>Complete.</i></p>

	System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
					<p>ICT Business Continuity and Disaster Recovery Plans are out of date and it is unclear if they have been formally adopted and tested.</p> <p>Selby currently has a contract with a contractor for the provision of a trailer and power supply in the event that the Civic Centre is lost. This does not, however, include the supply of servers. It is the intention that Craven will provide a 'mirror site' which will, in the long term, mitigate the risk.</p>	<p>Business Continuity and Disaster Recovery Plans to be reviewed, updated, formally adopted, responsibility clearly allocated and contents communicated to all appropriate staff. <i>31 January 2013</i></p> <p>Selby are currently undertaking Business Impact Analysis in the Service Areas which will come to IT to formulate a DR Plan. This will also inform the Business as to the cost of the solution. <i>31 March 2013</i></p>
	Civil Contingencies	High Assurance	Compliance with the Civil Contingencies Act 2004	12 September 2012	<p>Strengths Management are progressing towards compliance</p> <p>Key Weaknesses Up to date Business Continuity and Disaster Recovery plans, to reflect the changes since the authority moved to its new site and the recent business re-organisation are not yet in place, however management are working</p>	

	System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
					on them.	
	Land Sales	High Assurance	To ensure that the sale(s) of land are conducted in accordance with established procedures.	27 September 2012	<p>Strengths Very few land sales have been undertaken since the last audit with the only major capital receipts resulting from the sales of the old civic centre site and a plot of land at Riccall. However, for those sales that have taken place they were conducted in an effective and efficient manner.</p> <p>Key Weaknesses There is no register or suitable record of land sales. It was said that the previous senior solicitor (who has now left SDC) may have had such a list but this could not be traced. Sales were identified from general ledger records and knowledge of the legal team. Although there are compensating controls ie Asset Register, they do not eliminate the risk altogether.</p>	<p>A register detailing all applications for the sale of land and their fate will be set up and maintained. <i>31 October 2012</i></p> <p><i>F/U - As yet there have been no further applications to purchase land and as such no register is yet in place.</i></p>
	Equalities	Substantial Assurance	To ensure compliance with the Equalities Act 2010 and 'good practice'.	21 September 2012	<p>Strengths The Authority is seen to comply with the requirements of the 2010 Equality Act.</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>Key Weaknesses Key areas requiring attention are in Training, where a more focused approach is required; also in the completion and ongoing management of Equality Impact Assessments.</p>	<p>The issues raised will be addressed. <i>30 September 2012.</i></p> <p><i>F/U - HR confirmed that no new training has been undertaken. Work on EIAs is still ongoing.</i></p>

Summary of Key Issues from audits previously reported to Committee

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Members Allowances	Substantial Assurance	A review to ensure that expenses claimed by Members are bona fides and calculated correctly.	5 July 2012	<p>Strengths The officers dealing with Members Allowances are well experienced and trained with adequate records maintained to evidence controls in place.</p> <p>There was one area where we identified 'over control' in the checking of claim forms.</p> <p>Key Weaknesses There were no key weaknesses identified.</p>	<p>One P3 action agreed – claims checking will be limited to a defined sample. <i>Immediate.</i></p> <p><i>F/U - Implemented - has been in force since end of the audit.</i></p>
Housing Improvement Grants – Disabled Adaptations	Moderate Assurance	To ensure that controls are in place around the processes employed in identifying and paying Disability Facilities Grants.	15 August 2012	<p>Strengths The lead officer responsible for grants administration is capable and well experienced; however, as the audit findings show there</p>	

	System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
					<p>is a need to widen this resource capability.</p> <p>Key Weaknesses There is no written/IT procedural guide/policy in place with the work, relying on one individuals knowledge.</p> <p>One officer is responsible for all aspects of the process. This presents a lack of 'segregation of duties' and a risk to business continuity.</p> <p>There is a lack of clarification as to the categorisation of VAT and the issues around how the Council and Selby Home Improvement Agency account for VAT with the Inland Revenue.</p>	<p>A set of procedure notes will be completed by <i>31 March 2013.</i></p> <p>Agreed that another officer(s) will be involved in the process to provide continuity support and to strengthen the internal control. <i>31 October 2012.</i></p> <p><i>F/U - Implemented , additional staff now involved</i></p> <p>Agreed that VAT will be clearly categorised in the future and confirm that the methods employed to account for VAT, with the Selby Home Improvement Agency, will be clarified. <i>Immediate.</i></p> <p><i>F/U – Implemented in part. Still unclear re. vat.</i></p>
	Sheltered Accommodation	Substantial Assurance	To review the risks/controls in the administration of the service and the monitoring and charging mechanisms.	26 July 2012	<p>Strengths Support Officers are under the supervision of a Customer Services Officer and provide invaluable assistance to residents. The raising of invoices was seen to be well</p>	

	System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
					<p>administered although it was highlighted that chasing non-payments had been a problem in the past but had been addresses resulting in a reduction in the outstanding balances.</p> <p>Key Weaknesses All Lifeline invoices are raised 'vat free/exempt', however it is only those residents who meet certain criteria which fit into this category – the others are subject to VAT.</p>	<p>Agreed to reassess all those receiving the service to ensure they are correctly treated under the VAT regulations <i>30 September 2012.</i></p> <p><i>F/U - Implemented – process changed.</i></p>
	Closed Burial Grounds	Substantial Assurance	To ensure the risks around CBG are minimised and that the Council as abiding by legislation in the maintenance of these 'grounds'.	12 July 2012	<p>Strengths The risks around the maintenance of CBG use to be high on the Corporate Risk Register but improvements in control and compliance with the relevant legislation has reduced the risk.</p> <p>There was one area where we identified 'over control' in the practice of checking all monuments on a six monthly basis.</p>	<p>Agreed that a review of the regularity of site inspections will be undertaken in line with the perceived risks identified <i>31 October 2012.</i></p> <p><i>F/U - implemented – verbally confirmed.</i></p>

	System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
					<p>Key Weaknesses There were no key weaknesses identified.</p>	
	Officers Allowances	Substantial Assurance	To ensure that controls are in place to reduce the risk of allowances/claims being paid, are not bona fides and authorised.	21 June 2012	<p>Strengths The day to day control of officer's allowances has shown to be effective. It was identified that details of officers registered vehicles may not have been up to date and that this may result in the incorrect mileage rate being applied. Prompt action was taken when this was highlighted to rectify the records held.</p> <p>There was one area where we identified 'over control' with 100% of claims being checked to the Payroll system even though NYCC do this under the Payroll SLA.</p> <p>Key Weaknesses There were no key weaknesses identified.</p>	<p>Agreed that only a 20% sample of claims will be checked to the Payroll system <i>Immediate.</i></p> <p><i>F/U - Implemented .</i></p>
	Tax Management	High Assurance	A review to ensure compliance with the Construction Industry Scheme as governed by the HMRC.	7 August 2012	<p>Strengths The business administration assistant dealing with CIS invoices is very experienced and has a good understanding of how the scheme works for sub-contractors used by SDC. Some inputting errors were</p>	One P3 action agreed.

	System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
					<p>noted but control checks in place had identified most of these prior to submission of the monthly return to HMRC.</p> <p>Key Weaknesses There were no key weaknesses identified.</p>	
	Mobile Telephones	Limited Assurance	A review to ensure that the controls are in place to reduce the risks around the procurement, usage and monitoring of mobile telephones.	15 August 2012	<p>Strengths Although the day to day administration of the processes have been neglected in recent years, the Lead Officer – Business Support has recognised these fundamental deficiencies inherited by her and has already set about introducing controls to minimise the risk. This has been recognised but until the measures are firmly in place, the audit opinion is that only a 'limited assurance' can be given.</p> <p>Key Weaknesses There is an absence of a written agreement between the Council and the service provider.</p>	<p>The original contract will be located. If this is not possible, copies will be drawn up and executed by the parties involved. <i>Immediate.</i></p> <p><i>F/U – Implemented, verbal confirmation received. Contract extension agreed to 31/3/13 and new contract soon to be in place</i></p>

	System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
					<p>There is no single comprehensive record of mobile phones in place and the transfer of phones from one officer to another, are not recorded.</p> <p>Aspects of inappropriate call charge billing is not investigated. One such example included charges paid by a phone now known to be lost or stolen (now blocked). In one month alone charges amounted to over £260 on this phone.</p> <p>Possible failure to address the subject of security on SDC mobile phones, tablets and other mobile devices such as PDA's and on officers own devices for work purposes.</p>	<p><i>for 01/04/13 onwards.</i></p> <p>Since the completion of the audit a comprehensive record has now been established and the Orange website, definitive record, is up to date. This will monitor mobile transfer between officers <i>Completed.</i></p> <p>A monthly report will be drawn down from the Orange website to identify any premium rate calls or texts. All numbers will be investigated and where possible/appropriate, blocked <i>31 August 2012.</i></p> <p><i>F/U - Implemented</i></p> <p>A risk assessment will be carried out to ascertain the security risk in officers using mobile device. <i>Yet to be agreed with Business Manager.</i></p> <p><i>F/U - Remains under consideration.</i></p>

1 October 2012

Members
Selby District Council
Civic Centre
Doncaster Road
SELBY
YO8 9FT

Direct line 0844 798 1632
Email c-waddell@audit-
commission.gov.uk

Dear Member

Selby District Council - Annual Audit Letter 2011/12

I am pleased to submit my Annual Audit Letter which summarises my 2011/12 audit of Selby District Council.

Financial statements

On 26 September 2012 I presented my Annual Governance Report (AGR) to the Audit Committee outlining the findings of my audit of the Authority's 2011/12 financial statements. I will not replicate those findings in this letter.

Following the Audit Committee on 27 September 2012 I:

- issued an unqualified opinion on the Authority's 2011/12 financial statements included in the Council's Statement of Accounts;
- concluded that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources;
- certified completion of the audit.

Closing remarks

I have discussed and agreed this letter with the Chief Executive and Executive Director (s151). This has been another challenging year for the Council and I wish to thank all staff for the positive and constructive approach they have taken to this year's audit. I also wish to thank senior management and Members for their support and co-operation during the year. It is also our last audit as part of the Audit Commission's Audit Practice. I wish to thank everyone for the continued positive and constructive approach they have taken to my audit over the years.

Yours sincerely

Cameron Waddell
District Auditor

Audit Commission, 2nd Floor, Suites B & C, Nickalls House, Metro Centre, Gateshead,
NE11 9NH
T 0844 798 7130 F 0844 798 2023 www.audit-commission.gov.uk

A/12/15 – Item 9

Certification of claims and returns - annual report

Selby District Council

Audit 2011/12

Results of 2011/12 certification work undertaken up to 31 October 2012

This section summarises the results of my 2011/12 certification work undertaken up to 31 October 2012 and highlights the significant issues arising from that work.

Table 1: Summary of 2011/12 certification work undertaken by 31 October 2012

Claim or return	Value of claim or return presented for certification (£'000)	Value of any amendments made	Was a qualification letter issued?
Housing and council tax benefit scheme	21,178	-5,207	Yes
Pooling of housing capital receipts	159	None	No
HRA subsidy	-3,347	+10,670	No
National non-domestic rates return	31,507	None	No

Summary of progress on previous recommendations

This section considers the progress made in implementing recommendations I have previously made arising from certification work.

There were no recommendations arising from the 2010/11 certification work.

Summary of recommendations

This section highlights the recommendations arising from my certification work and the actions agreed for implementation.

1 No recommendations for 2011/12

Table 2: Summary of recommendations arising from 2011/12 certification work

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
	H/M/L			

Summary of certification fees

Details of fees arising from 2011/12 certification work and the reasons for any significant changes in the level of fees from 2010/11 will be provided separately though the EDC data returns.

Claim or return	Value (£)	Amended/qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments on fee changes greater than 10%
Housing and Council Tax Benefits	21,173,264	Amendment -5,207	26,721	29,089	
Pooling of housing capital receipts	158,936	No	595	606	
Housing subsidy	-3,336,957	Amended + £10,670	2,380	2,597	
National Non Domestic Rates Return	31,507,411	No	5,405	1,281	Part A testing only in 2011/12. Part A & B testing in 2010/11 due to cyclical rule.