



Meeting: **AUDIT COMMITTEE**
Date: **17 APRIL 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 16 January 2013.

Pages 3 to 6 attached.

4. Chair's Address to the Audit Committee

5. A/12/19 – Mazars Audit Strategy Memorandum 2012/13 and Audit Progress Report April 2013

To receive the reports of the Audit Manager, Mazars, pages 7 to 30 attached. The Audit Progress Report is attached separately.

6. A/12/20 – Annual Governance Statement – Action Plan Review

To receive the report of Executive Director (S151), pages 31 to 34 attached.

7. A/12/21 – Internal Audit Quarter 3+ Report 2012/13

To receive the report of Executive Director (S151), pages 35 to 59 attached.

8. A/12/22 – Internal Charter, Terms of Reference and Audit Plan 2013/14

To receive the report of Executive Director (S151), pages 60 to 71 attached.

9. A/12/23 – Accounts and Audit Regulation 6 Review

To receive the report of Executive Director (S151), pages 72 to 79 attached.

10. A/12/24 – Audit Committee Annual Report 2012/13

To receive the report of the Executive Director (s151), pages 80 to 88 attached

11. A/12/25 – Audit Committee Work Programme 2013/14

To receive the report of the Executive Director (s151), pages 89 to 95 attached

Jonathan Lund
Deputy Chief Executive

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

Audit Committee

| | |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Venue: | Committee Room |
| Date: | 16 January 2013 |
| Present: | Councillors Mrs C Mackman (Chair), J Cattanach, J Crawford, M Dyson, I Nutt, Mrs M McCartney, and I Reynolds |
| Apologies for Absence: | Councillor Mrs E Casling |
| Officers Present: | Roman Pronyszyn, Veritau; Gavin Barker, Mazars; Karen Iveson, Executive Director; Janette Barlow, Director Business Services and Richard Besley, Democratic Services Officer |

22. DECLARATIONS OF INTEREST

There were no declarations of interest.

23. MINUTES

RESOLVED:

To receive and approve the minutes of the Audit Committee held on 26 September 2012 and they are signed by the Chair.

24. CHAIR'S ADDRESS

Councillor Mrs Mackman chaired the meeting in the absence of Councillor Casling and welcomed all to the first meeting of the year and introduced Gavin Barker of Mazars the external Auditor.

25. A/12/11- EXTERNAL AUDIT PROGRESS REPORT

Gavin Barker, Audit Senior Manager at Mazars introduced himself and the role of the company. Following a DCLG consultation document on

the 'Future of local public audit' and subsequent legislation, in 2012 a number of auditors from the Audit Commission transferred to new private-sector employers and the Commission's Audit Practice closed. Mazars were one of the firms appointed by the Audit Commission to carry out the audit of local councils in England.

The Auditor looked forward to working with the Audit Committee and Officers. The report highlighted the work achieved so far and confirmed that both parties had agreed the fees for the audit work to be carried out which offers a significant saving on past work.

Mr Barker would present a more detailed plan to the April meeting that will set out the risks identified for the audit.

This report identified emerging issues and developments, recognising the tough times Councils are experiencing in the current economic climate.

RESOLVED:

To receive and note the report.

26. A/12/12 – ANNUAL GOVERNANCE STATEMENT ACTION PLAN REVIEW

The report was presented by the Executive Director (S151) who highlighted the progress report appended. The Executive Director (S151) was pleased to confirm that the efforts made to resolve the issues reconciling housing rents and housing benefits had been successful and work was now up to date.

RESOLVED:

To receive and note the report

27. A/12/13 – INTERNAL AUDIT QUARTER 2+ REPORT 2011/12

Roman Pronyszyn, Senior Audit Manager for Veritau presented the report which identified the work of Veritau's Auditors within the second quarter of 2012-13 and confirmed that the overall opinion, to date, was of substantial assurance.

The Senior Audit Manager reported that there were seven Audits currently in progress.

The recent Audit on ICT that had issued a Limited Assurance has identified key weaknesses and would be followed up in July.

The Committee considered the agreed actions on Council House Repairs and asked whether the 5% sample of completed works was

sufficient. They felt it was important that resident's satisfaction was considered and hoped some customer sign-off was in place.

Officers agreed to check the procedures in place and report back to the Committee

RESOLVED:

To receive and approve the Internal Audit report

28. A/12/14 – AUDIT ANNUAL LETTER 2011/12

The Annual Audit letter from the Audit Commission offered an unqualified opinion of Selby Council's 2011/12 financial statements and had concluded that the Council had made proper arrangements to secure economy, efficiency and effective use of resources.

RESOLVED:

To receive and note the report

29. A/12/15 – AUDIT OF GRANT CLAIMS AND RETURNS 2012/13

The Audit Commission had submitted the Annual Report on the Certification of Claims and Returns.

Gavin Barker, Mazars confirmed that there had been four claims to consider and all had been certified.

RESOLVED:

To receive and note the report

It was agreed to move to private session.

30. 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.

31. A/12/16 – REVIEW OF RISK MANAGEMENT STRATEGY

The report was presented by the Executive Director (S151) who explained that the risk management strategy sets out the Council's approach to managing risk, which is as approved in the current strategy.

RESOLVED:

To receive and endorse the report

32. A/11/17 – REVIEW OF CORPORATE RISK REGISTER

Presented by the Executive Director (S151), the Committee asked for progress on the review of Contaminated Land Strategy.

The Director agreed to check and report back to the Committee.

RESOLVED:

To receive and note the report

33. A/11/18 – REVIEW OF ACCESS SELBY RISK REGISTER

Presented by Janette Barlow, Access Selby Director of Business Services, the Committee were informed of the status of the 14 risks associated with Access Selby.

RESOLVED:

To receive and endorse the report

34. REVIEW OF DRAFT WORK PROGRAMME 2013/14

The Democratic Services Officer presented an early draft of the Work Programme for 2013/14 that would be adopted by the Committee at its next meeting.

The Executive Director (S151) asked if there were items of interest covered in Mazars' earlier report and the committee requested that the new funding regime in respect of localised Business Rates, be looked at in more detail given the risks associated with the system.

RESOLVED:

To add Localised Business Rates to the work programme for the coming year.

To receive and note the report.

The meeting closed at 5:47pm

A/12/19



Selby District Council

Audit Strategy Memorandum
Year ended 31 March 2013

March 2013

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

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

1. Purpose of this document

This document sets out our audit plan in respect of the external audit of Selby District Council for the year ending 31 March 2013. This document forms the basis for discussion with the Audit Committee on 17 April 2013.

The plan sets out our proposed audit approach and is prepared to assist you in fulfilling your governance responsibilities. The responsibilities of those charged with governance are defined as to oversee the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the financial reporting process.

Our communication with you is important in:

- Reaching a mutual understanding of the scope of the audit and the responsibilities of the auditor and those charged with governance;
- Sharing information to assist both the auditor and those charged with governance to fulfil their respective responsibilities;
- Providing to those charged with governance constructive observations arising from the audit process; and
- Ensuring as part of the two-way communication process that we, as external auditors, gain an understanding of the attitude and views of those charged with governance of the internal and external operational, financial, compliance and other risks facing the Council which might affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

2. Scope of engagement

We are appointed to perform the external audit of Selby District Council for the year to 31 March 2013. The scope of our engagement is laid out in the Audit Commission's Code of Audit Practice for Local Government bodies.

3. Respective responsibilities

The Audit Commission's Statement of Responsibilities sets out our respective responsibilities as the auditor and the audited body. The Audit Commission has issued a copy of the Statement to you.

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and we undertake our audit work to meet these responsibilities.

We comply with the statutory requirements governing audit work, in particular the:

- Audit Commission Act 1998; and
- Code of Audit Practice for Local Government bodies.

We, as auditors to Selby District Council, are responsible for forming and expressing an opinion on the financial statements and reaching a conclusion on the arrangements you have put in place to secure economy, efficiency and effectiveness in the use of your resources (the Value for Money conclusion).

We are also required to report on the consistency of your Whole Government Accounts L-Pack with the audited financial statements.

Our audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

4. Independence

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. If at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with the engagement lead.

We are required by the Audit and Assurance Council (previously the Auditing Practices Board - APB), which has issued ethical standards for auditors, to confirm we have complied with relevant ethical standards requirements regarding independence. This is to ensure our objectivity and independence is maintained.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We include in Appendix 1 our analysis of the principal threats to our objectivity and independence and the safeguards we have put in place.

5. Our audit approach

Our audit approach is designed to provide you with an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards of Auditing (UK and Ireland) issued by the Audit and Assurance Council (previously the APB). Our work is focussed on those aspects of your business which we consider to have a higher risk of material misstatement such as judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past. How we define materiality is set out in Appendix 2.

We raise and discuss these with you on a regular basis, not just at the time of the audit fieldwork. We shall expect to obtain appropriate evidence that we consider sufficient to enable us to draw reasonable conclusions therefrom and will use a combination of controls and substantive testing procedures as appropriate.

We plan our audit to have a reasonable expectation of detecting fraud where the potential effects would be material to the financial statements. We will consider the control procedures in place to prevent and detect fraud, whether there are any significant risks of fraud that may have a material impact on the financial statements and adapt our procedures accordingly. We also plan our audit to negate the risk of management over-riding controls by testing year-end journal entries and the major judgements and estimates that management make.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view. Key stages of the audit are set out opposite.



6. Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We meet regularly with internal audit to discuss the progress and findings of their work.

Where we intend to rely on the work of internal audit, we will evaluate the work performed by the internal audit team and perform our own audit procedures to determine its adequacy for our audit.

7. Reliance on experts

We plan to place reliance on the following work of experts.

| Area | Expert engaged by: | |
|----------------------------------------------|------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| | You | Ourselves |
| Asset valuation | External valuer | Central valuation trends report provided by the Audit Commission |
| Pension fund liability and IAS19 disclosures | North Yorkshire Pension Fund actuary (Mercers) | The Audit Commission will engage actuarial specialists to review the work of all actuaries involved in pension fund work. |
| Fair value disclosures | Sector | Central assurance exercise by the Audit Commission |

8. Reliance on other auditors

We plan to place reliance on the work of another auditor, namely the auditor of the Pension Fund, Deloitte LLP. We have already agreed a work programme and timetable for the receipt of information with Deloitte LLP.

9. Group accounts

We are not anticipating that the Council will need to produce group accounts in 2012/13.

10. Service organisations

Payroll processing is provided by North Yorkshire County Council, and we have considered this as a service organisation. Our assessment is that there are sufficient controls exercised at Selby District Council before payroll payment and after payroll payment to ensure that payroll transactions are not materially misstated. We do not need to carry out any direct work at the payroll provider.

11. Significant events during the year impacting the audit

Along with most local authorities, the priority for the Council has been to make savings to deliver a balanced budget in light of the funding reductions that have been required to address the public sector deficit. At Selby District Council, significant structural changes were made during 2011/12 and the current audit year has been a period for consolidation of the new arrangements.

The key priorities for the Council going forward are:

- Identifying further cost saving and income generation measures, including in partnerships, such as the one with North Yorkshire County Council;
- Delivering its 'Programme for Growth' by investing in housing and infrastructure and promoting the development of jobs, retail and leisure;
- Addressing the need for more affordable housing in the district, including considering the establishment of a Housing Trust to facilitate this;
- Rebuilding the Abbey Leisure Centre following the fire in February 2012.

Along with this, the Council has been preparing for the changes to council tax benefits and NNDR, which are effective from April 2013. These transfer risks from central to local government, although in the

case of NNDR there are also potential rewards, if the programme for growth and other measures are successful in developing the local economy.

12. Significant risks and key judgement areas

We have met with senior management, and the Council's accountancy team, on an ongoing basis as part of the audit planning process. During these meetings we discussed the risks that, in management's opinion, you are likely to face. We have then considered the impact on our audit risk.

Set out below are the audit risks and the areas of management judgement to which we will pay particular attention in order to reduce the risk of material misstatement in the financial statements.

| Significant audit risks | How we will address this risk |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Management override of controls</p> <p>In any organisation, management may be in a position to override the financial controls that it has in place. In the current economic climate, the Council may face pressure to deliver financial performance levels it has previously forecast.</p> <p>A breach of the controls over journal entries, accounting estimates and other accounts preparation processes may result in a material misstatement. I therefore consider management override of controls as a significant risk and adapt my audit procedures accordingly.</p> | <p>We have updated our understanding and evaluation of internal control processes and procedures as part of our audit planning, including completion of a fraud risk assessment. As part of this process we will be obtaining information from the Audit and Governance Committee and management on processes for assessing the risk of fraud in the financial statements and arrangements in place to identify, respond to and report fraud.</p> <p>Our testing strategy for this significant risk due to fraud will include:</p> <ul style="list-style-type: none"> • general ledger journal testing; • consideration and review of material accounting estimates; • consideration and review of any unusual or significant business transactions; and • consideration of any other local factors. |

| Significant audit risks | How we will address this risk |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Property, plant and equipment (PPE) entries and disclosures</p> <p>The financial statements contain material entries and disclosures in respect of PPE. The calculation of these figures, can be subject to significant volatility, Including estimates of valuation and asset life.</p> <p>This results in an increased risk of material misstatement.</p> | <p>We will discuss with key contacts any significant changes to the PPE estimates prior to the preparation of the financial statements.</p> <p>In addition to our standard programme of work in this area, we will:</p> <ul style="list-style-type: none"> • evaluate the competencies of the external valuer engaged by the Council; • evaluate the management controls you have in place to assess the reasonableness of the figures provided by the valuer; and • consider the reasonableness of the valuer's outputs, referring to an expert's report on trends which is commissioned annually by the Audit Commission. |
| <p>Pension liabilities and IAS19 disclosures</p> <p>The financial statements contain material entries and disclosures in respect of retirement benefits. The calculation of these figures can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions.</p> <p>This results in an increased risk of material misstatement.</p> | <p>We will discuss with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements.</p> <p>In addition to our standard programme of work in this area, we will:</p> <ul style="list-style-type: none"> • evaluate the management controls you have in place to assess the reasonableness of the figures provided by the actuary (Mercers); and • consider the reasonableness of the actuary's (Mercers') output, referring to an expert's report on all actuaries nationally which is commissioned annually by the Audit Commission. |

| Significant audit risks | How we will address this risk |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Accountancy arrangements</p> <p>There have been changes in key accountancy staff and although the new Chief Accountant brings commercial expertise, this is their first involvement in the closedown and production of local authority accounts. The Council is mitigating this risk through an additional temporary and part time resource to assist with the production of the financial statements by the end of June 2013.</p> | <p>We are liaising closely with officers prior to the year end and during the closedown of accounts to help facilitate a smooth audit process. This enables us to discuss audit requirements in advance and also provides an opportunity to discuss and agree any accounting issues that arise on a timely basis.</p> |
| Areas of management judgement | How we will address this judgement |
| <p>Property, plant and equipment</p> <p>Pension liabilities as assessed by the actuary</p> | <p>We will carry out the work identified in the significant risks table above.</p> |
| <p>Estimates</p> | <p>We will review all areas of the accounts where material estimates are made, and assess these for reasonableness.</p> |
| <p>We will assess all potential liabilities, ensuring that provisions are made where appropriate or that there is adequate disclosure as contingent liabilities.</p> | <p>We will test material provisions against accounting requirements (we note that currently there are no provisions in the Council's accounts).</p> <p>We will assess whether the Council has properly disclosed material contingent liabilities.</p> |

13. Value for money

We are required to reach a conclusion on your arrangements to secure economy, efficiency and effectiveness in the use of your resources.

Our conclusion on your arrangements is based on two criteria, specified by the Audit Commission:

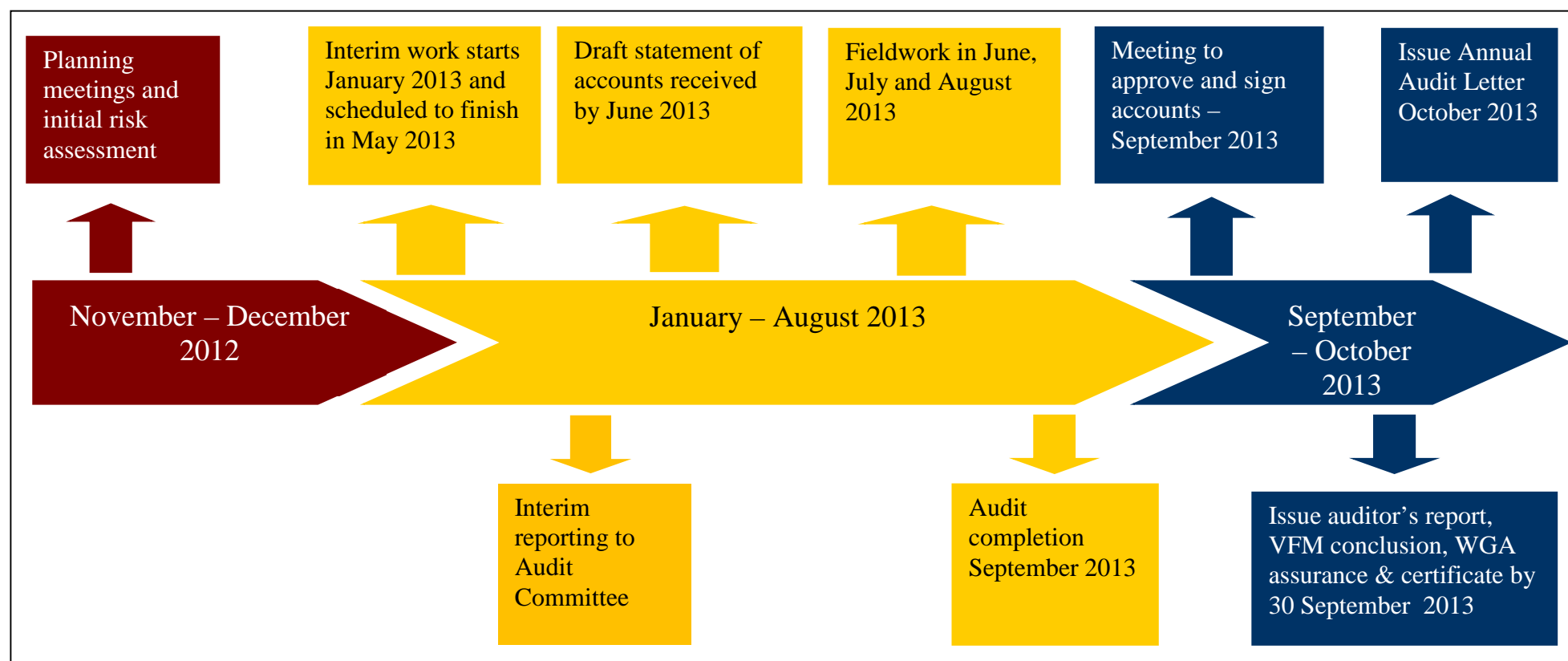
- securing financial resilience – focusing on whether you are managing your financial risks to secure a stable financial position for the foreseeable future; and
- challenging how you secure economy, efficiency and effectiveness – focusing on whether you are prioritising your resources within tighter budgets and the need to improve productivity and efficiency.

We have considered the risks that are relevant to our value for money conclusion and have identified the following significant risk that we will address through our work.

| Risk identified | How we will address this risk |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Council faces financial pressures from reduced funding and continues to identify plans to deliver future savings. Without robust budgetary control and delivery of its action plans, the Council's financial resilience and service performance could deteriorate.</p> <p>Linked to this, the Council has major plans to make improvements for the District, including establishing a housing trust to secure more affordable housing, re-provisioning of the Abbey Leisure Centre following a major fire in February 2012, and exploring options for improved service delivery in partnership with North Yorkshire County Council.</p> | <p>We will review budget monitoring and reporting, focusing on areas where action plans are in place to make savings and seek to minimise any adverse impact on service delivery. We will review the plans that are developed to deliver future savings.</p> <p>We will review the progress in relation to establishing a housing trust, re-provisioning the Abbey Leisure Centre, partnership with the County Council and any other initiatives that emerge.</p> |

14. Audit timeline and reporting

The table below sets out the timing of key phases of our audit work. Within this overall framework, specific appointments with individual members of staff will be agreed with them in advance. We will communicate with management throughout the audit process to ensure that all parties understand developments and issues as they arise and to help in providing timely and appropriate solutions. ISA 260 and 265 require the auditor to communicate specific matters with those charged with governance at key stages of the audit and Appendix 3 sets out how we propose to discharge these responsibilities.



15. Fees for audit and other services

Audit fees

As communicated to you in our letter dated 27 November 2012 the Audit Commission has set a scale fee of £58,710 for the audit and £19,650 for certification work.

Our audit fees, excluding VAT, for the audit are set out below:

| Selby District Council | 2012/13 fees (£) | 2011/12 fees (£) |
|-------------------------------|-------------------------|-------------------------|
| Audit | 58,710 | 98,188 |
| Certification work | 19,650 | 39,000 |

Non-audit services

The Executive Director s151 Officer has commissioned some financial guidance in relation to the new housing trust for an additional fee of £1,500. There are no threats to our independence arising from this work.

Services provided by Mazars LLP associated entities

No audit or non audit services have been provided to Selby District Council by other entities associated with Mazars LLP.

16. Proposed team

We know that you value a team who understands the environment you operate in and understands your systems, controls and has a good working relationship with your staff and internal auditors. Your team meets all these criteria.

| Name and contact | Role | Experience and responsibilities |
|--------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cameron Waddell Tel: 0191 383 6300 Email: cameron.waddell@mazars.co.uk | Engagement Lead | Cameron has worked with you since 2008/09. He is responsible for the overall delivery of the audit, including the quality of audit reports. Cameron will sign the auditor's report and liaise with the Chief Executive. |
| Gavin Barker Tel: 0191 383 6321 Email: gavin.barker@mazars.co.uk | Engagement Manager | Gavin will manage and coordinate the different parts of the audit and be the key point of contact for the officers producing the financial statements and those involved with the value for money assessment. |
| Mark Outterside Tel: 0191 383 6334 Email: mark.outterside@mazars.co.uk | Team Leader | Mark will lead the onsite delivery of the audit of the financial statements and grant claims. He will be the main point of contact for the Chief Accountant and the accountancy team. |

Appendices

Appendix 1 – Independence

Independence is an ongoing consideration and as such we monitor it throughout the audit process. The principal types of threats to the auditor's objectivity and independence are:

- self-interest threat - exists when the auditor has financial or other interests which might cause the auditor to be reluctant to take actions that would be adverse to the interests of the audit firm or any individual in a position to influence the conduct or outcome of the audit;
- self-review threat - exists when the results of a non-audit service performed by the engagement team or by others within the audit firm are reflected in the amounts included or disclosed in the financial statements;
- management threat - exists when the audit firm undertakes work that involves making judgments and taking decisions that are properly the responsibility of management;
- advocacy threat - exists when the audit firm undertakes work that involves acting as an advocate for an audited entity and supporting a position taken by management in an adversarial context;
- familiarity (or trust) threat – exists when the auditors are predisposed to accept or are insufficiently questioning of the client's point of view (for example, where they develop close personal relationships with client personnel through long association with the client); and
- intimidation threat – exists when the auditor's conduct is influenced by fear or threats (for example, when they encounter an aggressive and dominating individual).

Prior to the provision of any non-audit services the engagement lead will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

We have not identified any threats to our independence which require identification of safeguards.

Appendix 2 – Materiality

'Materiality' is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. It is reasonable for us to assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We will consider materiality whilst planning and performing our audit.

Whilst planning, we will make judgements about the size of misstatements which we will consider to be material and which will provide a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We will revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

We will include in our Audit Completion Report all unadjusted errors we have identified above those which are clearly trivial.

Appendix 3 – Required communication

ISA 260 ‘Communication With Those Charged With Governance’ and ISA 265 ‘Communicating Deficiencies In Internal Control To Those Charged With Governance And Management’ require the auditor to communicate a number of matters with those charged with governance. These matters are set out below along with our proposed approach.

| Required communication | When and how we will communicate |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| <p>Respective responsibilities of auditor and those charged with governance.</p> <p>Our responsibility for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements.</p> <p>The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p> | <p>Section 3 of this report and the Audit Commission’s Statement of Responsibilities of Auditors and of Audited Bodies.</p> |

| Required communication | When and how we will communicate |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Communication of the planned scope and timing of the audit.</p> <p>Matters communicated include:</p> <ul style="list-style-type: none"> ▪ Significant audit risks and how we will address them; ▪ Our approach to internal control relevant to the audit; ▪ The application of the concept of materiality in the context of an audit; ▪ Our use of the work of internal audit; ▪ Your approach to internal control and how you oversee the effectiveness of internal control procedures; ▪ The attitude, awareness and action of those charged with governance concerning the detection or possibility of fraud; and ▪ Your response to new accounting standards, corporate governance practices and related matters. | <p>Included in this document.</p> <p>These matters were discussed at the planning meeting and responses incorporated into this document as appropriate.</p> |
| <p>Our views on significant qualitative aspect of accounting practices including accounting policies, accounting estimates and financial statement disclosures.</p> <p>When applicable, why we consider a significant accounting practice not to be appropriate to the entity.</p> | <p>We will communicate these in our Audit Completion Report, orally to management as they arise and at the September 2013 Audit Committee meeting.</p> <p>Depending on the extent of the issue, either orally at the September 2013 Audit Committee meeting, in our Audit Completion Report or immediately we become aware of the issue.</p> |

| Required communication | When and how we will communicate |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Significant difficulties, if any, encountered during the audit.</p> <p>Significant difficulties encountered during the audit may include such matters as:</p> <ul style="list-style-type: none"> ▪ Significant delays in management providing required information; ▪ An unnecessarily brief time within which to complete the audit; ▪ Extensive unexpected effort required to obtain sufficient appropriate audit evidence; ▪ The unavailability of expected information; ▪ Restrictions imposed on the auditor by management; and ▪ Management’s unwillingness to make or extend its assessment of the entity’s ability to continue as a going concern. ▪ | <p>We will communicate these in our Audit Completion Report, orally to management as they arise and at the September 2013 Audit Committee meeting.</p> |
| <p>Details of significant matters discussed with, or subject to correspondence with management.</p> | <p>We will communicate these in our Audit Completion Report, orally to management as they arise and at the September 2013 Audit Committee meeting.</p> |
| <p>Details of written representations we require for our audit.</p> | <p>We will communicate this in our Audit Completion Report.</p> |
| <p>Any other matters which we consider to be significant to the oversight of the financial reporting process.</p> <p>Other significant matters arising from the audit that are directly relevant to those charged with governance in overseeing the financial reporting process may include such matters as material misstatements of fact or material inconsistencies in information accompanying the audited financial statements that have been corrected.</p> | <p>Any matters arising which we consider significant will be communicated to you within the Audit Completion Report.</p> |

| Required communication | When and how we will communicate |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Statement that the engagement team and the firm have complied with relevant ethical requirements regarding independence.</p> <p>Written disclosure of relationships which have a bearing on our independence and safeguards we have put in place, details of non audit services provided and written confirmation of our independence.</p> | <p>Section 4 and Appendix 1 of this document and as any new matters arise.</p> |
| <p>Form, timing and general content of communications.</p> | <p>We will issue our Audit Completion Report which will conclude upon our audit and the issues presented in this document. Should you require us to communicate in a different way please inform us of your preferred method.</p> |
| <p>Our evaluation of the adequacy of the communication process between ourselves and those charged with governance. This may include observations on appropriateness and timing of action taken by you in response to matters we have raised, the openness of your communication with us, your willingness and capacity to meet with us without management being present, your opportunity to fully comprehend matters we have raised, the extent to which you probe issues raised and our recommendations, any communications we have had in establishing with you the form, timing and general content of communications, your awareness of how our discussions impact on your governance and management responsibilities and whether your communication with us meets legal and regulatory requirements.</p> | <p>Should we consider it necessary to raise any of these issues, we will consider the most appropriate method and the most appropriate person. The nature of our observation will determine the method and timing of our communication.</p> <p>We may consider that any inadequacy in the communication process is indicative of an unsatisfactory control environment and increase our assessment of audit risk. We will also consider whether we need to reassess our audit strategy. We will discuss with you any additional procedures we consider necessary as a result of these observations.</p> <p>If we consider the communication between you and us to be inadequate and we are unable to agree additional procedures which we consider necessary, we may modify our audit opinion, obtain legal advice, discuss with other third parties as we consider appropriate or may, if permitted under applicable law or regulation, withdraw from the engagement.</p> |

| Required communication | When and how we will communicate |
|---------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Any significant deficiencies in internal control that we have identified during the audit.</p> | <p>We will communicate these to you in our Audit Completion Report. Should it be appropriate, we will discuss significant deficiencies with management as they arise.</p> <p>Our written communication will include a description of the deficiencies with sufficient explanation for you to understand the context of the deficiency and an explanation of the potential effects.</p> <p>We are required to communicate all significant deficiencies to you, irrespective of whether you are already aware of them or have chosen not to take remedial action for cost or other reasons. We will continue to communicate deficiencies previously communicated to you until remedial action has been taken. We will consider whether failure to act, or lack of rational explanation itself represents a significant deficiency.</p> |
| <p>Other deficiencies in internal control that we have identified during the audit.</p> | <p>We will consider whether other deficiencies should be reported to you, taking into account the likelihood and potential magnitude of misstatements that may arise. We will also determine whether we report these to you orally or in writing.</p> |

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

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Democratic Services
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rbesley@selby.gov.uk

Appendices:

Appendix A – AGS 2011/12 Action Plan

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 |
|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| 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 | March 2013 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 | March 2013 Both the reconciliations for housing rents and housing benefits are up to date (end Feb 2013). |

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 |
|---------|------------------------------------------------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| 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 | March 2013 Additional training has been provided and capacity & expertise within Business Support has been enhanced. |

To: Audit Committee
Date: 17 April 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 March 2013.

Recommendations:

It is recommended that the attached report be approved.

Reasons for recommendation

It is recommended that the report is considered by the Audit Committee as it summarises the audit work undertaken during the year to date. It also indicates the emerging internal audit opinion of the internal control framework.

1. Introduction and background

- 1.1. The provision of Internal Audit is a statutory requirement (Accounts & Audit Regulations).
- 1.2 The Audit Committee approved the internal audit plan for 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 in delivering the 2012/13 Internal Audit Plan.

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.
- 2.2 Veritau carried out its work in accordance with the CIPFA Code of Practice for Internal Audit in Local Government.

2.3 Veritau have made good progress in the delivery of the agreed internal audit plan. They have completed **23** out of **27** internal audit reviews to final report stage. In addition, draft reports for a further **4** reviews have been issued. This represents **85%** of the plan delivered to final report stage but **100%** to draft report stage.

3. Legal/Financial Controls and other Policy matters

3.1. Legal Issues

None.

3.2. Financial Issues

None.

4. Conclusion

4.1 The plan is nearing completion with **85%** completed to 31 March 2013. Based on our work, we are satisfied that an opinion of **Substantial Assurance** can be given.

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 March 2013

| Audits Completed to 31 March 2013 | |
|------------------------------------------|----|
| High Assurance | 10 |
| Substantial Assurance | 10 |
| 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 March 2013

Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2011 and the CIPFA Code of Practice for Internal Audit in Local Government (2006). In accordance with the Code of Practice, the Head of Internal Audit is required to 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 third 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 March inclusive, we have completed **23** out of **27** internal audit reviews to final report stage. In addition, draft reports for a further **4** reviews have been issued. This represents **85%** of the plan delivered to final report stage but **100%** to draft 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 the pending agreement over the four draft reports remaining.

Table of 2012/13 audit assignments completed

| Audit | Status | Audit Committee |
|------------------------------------------------|----------------------------------------------------------------------|------------------------|
| <i>Material Systems (AC definition)</i> | | |
| Benefits | Completed ~ High Assurance | April 2013 |
| Council House Repairs | Completed ~ Substantial Assurance | January 2013 |
| Council Tax/NNDR | Completed ~ Substantial Assurance | April 2013 |
| Creditors | Draft | |
| Debtors | Completed ~ Substantial Assurance | April 2013 |
| General Ledger | Completed ~ Substantial Assurance | April 2013 |
| Housing Rents | Completed ~ Substantial Assurance | January 2013 |
| Income (Cash Receipting) System | Completed ~ High Assurance | April 2013 |
| Treasury Management | Completed ~ High Assurance | January 2013 |
| Capital Accounting/Asset Management | Completed ~ High Assurance | January 2013 |
| Payroll | Completed ~ High Assurance | April 2013 |
| <i>2012/13 Audit plan work</i> | | |
| Members Allowances | Completed ~ Substantial Assurance | September 2012 |
| The Business – Access Selby | Draft | |
| Disabled Adaptations | Completed ~ Moderate Assurance | September 2012 |
| Sheltered Accommodation | Completed ~ Substantial Assurance | September 2012 |
| Development Control | Completed ~ High Assurance | April 2013 |
| ICT | Draft | |
| ICT 2011/12 | Completed ~ Limited Assurance | January 2013 |
| Civil Contingencies (Business Continuity) | Completed ~ High Assurance | January 2013 |
| Land Sales | Completed ~ High Assurance | January 2013 |
| Closed Burial Grounds | Completed ~ Substantial Assurance | September 2012 |
| Officers Allowances | Completed ~ Substantial Assurance | September 2012 |
| Equalities | Completed ~ High Assurance | January 2013 |
| Partnership Arrangements | Completed ~ Substantial Assurance | April 2013 |
| Performance Management/Data Quality | Draft | |
| 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 March 2013; not previously reported to Committee

| System/Area | Opinion | Area Reviewed | Date Issued | Comments | Management Actions Agreed & Follow-Up |
|-------------|----------------|------------------------------------------------------------------------------|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Benefits | High Assurance | A review of the key risks/controls involved in awarding and paying benefits. | 7 February 2013 | <p>Strengths In this period of uncertainty over the actual timing of implementation of proposed benefits legislation, the officers in the benefits section are working hard to cope with the day to day workload and the exceptional demands due to necessary skills training and preparatory work for change. The lead officer works well and leads by example. It is to the team's credit that this audit has not identified any significant shortcomings or areas of risk.</p> <p>There was one area where we identified of Over Control in so far as it was decided, at the previous audit, that reconciliations of SZ0894 ZSBP – Benefits Control to SA0104 5001 – Council Tax Benefit by the Lead Officer Benefits and Taxation, were considered to be unnecessary.</p> <p>Weaknesses Reconciliations of SF0502 5004 – Housing</p> | <p>'Reconciliation' of SA0104 5001 during the course of the year will be abandoned. <i>Immediate</i></p> <p>Reconciliations of SF0502 5004 – Housing Benefits/Rent</p> |

| System/Area | Opinion | Area Reviewed | Date Issued | Comments | Management Actions Agreed & Follow-Up |
|------------------|-----------------------|---------------------------------------------------------------------------------|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | <p>Benefits/Rent Rebates to SF0501 5003 – Rent Allowance Other Income, have only been carried out for the first quarter of the current financial year.</p> <p>The Benefits Bank Account reconciliation is not up to date.</p> | <p>Rebates and SF0501 5003 – Rent Allowance Other Income, will be brought up to date.</p> <p><i>F/U – now up to date</i></p> <p>Now that the Benefits bank account reconciliations have recommenced, officers will ensure that, henceforth, they are completed on a monthly basis.</p> <p><i>F/U – now up to date</i></p> |
| Council Tax/NNDR | Substantial Assurance | A review of the key risks/controls for the setting and collection of local tax. | 8 March 2013 | <p>Strengths The Lead officer and staff within local taxation are experienced and have a good understanding of the risks and controls in this area. Collection rates for both Council Tax and NNDR remain steady and in line with other local district councils.</p> <p>Weaknesses Inspections are rare and not always recorded as such. Local Taxation officer confirmed that many empty properties are overdue inspection/visit. Over half the sampled of empty properties (i.e. 8 of 15) had</p> | <p>The community officers' supervisor will monitor empty property inspections over the coming months with a view to having them all completed promptly by 30/6/2013. <i>1 July 2013</i></p> |

| System/Area | Opinion | Area Reviewed | Date Issued | Comments | Management Actions Agreed & Follow-Up |
|-------------|-----------------------|-------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | <p>not had an inspection recorded in the last 12 months.</p> <p>All write-offs examine had been correctly authorised by the S151 Officer, however the WO's on the Northgate system are not regularly reconciled with the General Ledger.</p> | <p>A write-offs reconciliation between the Northgate system and the General Ledger will be undertaken each quarter. 31 March 2013</p> |
| Debtors | Substantial Assurance | A review to ensure that debtors accounts are promptly and correctly raised and all payments received are correctly allocated. | 10 January 2013 | <p>Strengths The day to day functions of the debt control team are ably undertaken under the direction of the lead officer. A progressive outlook is seen, this being evidenced by such work as implementing direct debit payments; adapting overdue debt reporting into a format more easily understood by business managers and as a future project, looking more closely at streamlining, where possible, debt collection procedures across the various functions of the Authority.</p> <p>Weaknesses There is no "Date work carried out/date service supplied" box on the Sundry</p> | <p>The Sundry Debt Invoice Request Template will be amended so that it reads</p> |

| System/Area | Opinion | Area Reviewed | Date Issued | Comments | Management Actions Agreed & Follow-Up |
|----------------|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | <p>Debt Invoice Request template so compliance with VAT regulations in this respect is not always possible to verify.</p> <p>Invoices sampled included two in respect of recyclable supplies to contractors which fell outside the 2 month rule. VAT regulations prescribe that where a local authority supplies taxable goods or services in the course of business activities, the supply may be treated as taking place at the time when the local authority issues a VAT invoice in respect of it, provided that the invoice is raised no later than 2 months after the date of removal of goods or performance of the services. This issue has been raised at a previous audit and requires further attention.</p> | <p>"Details and Dates of Goods/Services Supplied" i.e. inclusion of the words "and Dates". <i>Immediate</i></p> <p><i>F/U – now complete</i></p> <p>The requirement will be observed. Discussions will take place with contractors to ensure that data is supplied promptly to facilitate the raising of invoices within the required timescale. <i>31 January 2013</i></p> |
| General Ledger | Substantial Assurance | A review to ensure that the key controls around the balances within the ledger are working as intended and that adequate budgetary control is exercised. | 27 February 2013 | <p>Strengths There is an experienced, small team of finance officers meeting the challenges and undertaking their duties effectively under</p> | |

| System/Area | Opinion | Area Reviewed | Date Issued | Comments | Management Actions Agreed & Follow-Up |
|-------------|---------|---------------|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | <p>a newly appointed Lead Officer.</p> <p>Weaknesses Effective controls were seen in most areas with the exceptions noted below:-</p> <p>The reconciliation of the Income Bank account has fallen into arrears as was highlighted at the last audit in 2012. Some work has been undertaken since to reduce the back log of weekly reconciliations, down to 6 weeks.</p> <p>Within the latest Annual Accounts comment was made under "Significant Governance Issues" that there were concerns regarding the reconciliation between feeders and the main accounting system. Records of reconciliations held in Finance show that the situation has improved with the exception of Rent Income which was raised as in issue in the Housing Rents Audit.</p> | <p><i>F/U - The Income Bank A/C reconciliation and feeder system reconciliations, including the Rent Income A/C, are now up to date.</i></p> |

| System/Area | Opinion | Area Reviewed | Date Issued | Comments | Management Actions Agreed & Follow-Up |
|---------------------------------|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| Income (Cash Receipting) System | High Assurance | A review to ensure that all collections are securely collected, controlled and posted to the relevant Accounts within the main ledger. | 13 December 2012 | <p>Strengths The officers dealing with the main income stream of the Council, are well experienced and trained with adequate records maintained to evidence controls in place.</p> <p>Weaknesses Manual receipts are not suitably controlled.</p> | Manual receipts will be treated as controlled stationery, properly recorded and have now been locked away in the archive store. <i>Immediate</i> |
| Payroll | High Assurance | The key controls were examined to ensure that only bona vide officers are correctly paid in accordance with terms and conditions and in a timely manner. | 21 January 2013 | <p>Strengths The payroll process has changed little in the past 12 months with the same lead officer and officers in charge of the day to day processing, and as such controls continue to be effective.</p> <p>Weaknesses There were no key weaknesses identified.</p> | |
| Development Control | High Assurance | A review to ensure that planning applications are processed in accordance with the Council's policies and government legislation and all | 18 March 2013 | <p>Strengths The Planning Team work effectively to deal with the current workload under the direction of the Lead Officer.</p> | |

| System/Area | Opinion | Area Reviewed | Date Issued | Comments | Management Actions Agreed & Follow-Up |
|--------------------------|-----------------------|------------------------------------------------------------------------------------|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | income due, in regards to planning fees, are promptly received and accounted for. | | <p>Weaknesses There were no key weaknesses identified.</p> | |
| Partnership Arrangements | Substantial Assurance | A review of the controls in place, ensuring that governance arrangements are sound | 19 December 2012 | <p>Strengths The Authority has a focused approach towards the setting up and ongoing management in partnerships, the main administration being through the contract team in the Council. Overall, good management is seen.</p> <p>Weaknesses A comprehensive review of risk management arrangements in partnerships is necessary.</p> | <p>The perceived need for a comprehensive review of partnership risk management arrangements and recording/updating in Covalent will be addressed through discussion and training thereby setting in place clear procedures and responsibilities. <i>31 March 2013</i></p> |

Summary of Key Issues from audits 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 – now up to date</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. 31 October 2012</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> |
| 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 | 15 August 2012 | <p>Strengths The lead officer responsible for grants administration is capable and well</p> | |

| System/Area | Opinion | Area Reviewed | Date Issued | Comments | Management Actions Agreed & Follow-Up |
|-------------------------|-----------------------|------------------------------------------------------------------------------------------|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | Grants. | | <p>experienced; however, as the audit findings show there 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 individual's 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 | 26 July 2012 | <p>Strengths Support Officers are under the supervision of a</p> | |

| System/Area | Opinion | Area Reviewed | Date Issued | Comments | Management Actions Agreed & Follow-Up |
|-----------------------|-----------------------|------------------------------------------------------------------------------------------------------------------------------------|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | charging mechanisms. | | <p>Customer Services Officer and provide invaluable assistance to residents. The raising of invoices was seen to be well administered although it was highlighted that chasing non-payments had been a problem in the past but had been 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</p> | <p>Agreed that a review of the regularity of site inspections will be undertaken in line with the perceived risks identified</p> |

| System/Area | Opinion | Area Reviewed | Date Issued | Comments | Management Actions Agreed & Follow-Up |
|---------------------|-----------------------|-----------------------------------------------------------------------------------------------------------------------------|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | <p>monthly basis.</p> <p>Key Weaknesses There were no key weaknesses identified.</p> | <p>31 October 2012.</p> <p><i>F/U - implemented – verbally confirmed.</i></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> |
| Mobile Telephones | Limited Assurance | A review to ensure that the controls are in place to reduce the risks around the procurement, usage and | 15 August 2012 | <p>Strengths Although the day to day administration of the processes have been</p> | |

| System/Area | Opinion | Area Reviewed | Date Issued | Comments | Management Actions Agreed & Follow-Up |
|-------------|---------|----------------------------------|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | monitoring of mobile telephones. | | <p>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>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</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 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</p> |

| System/Area | Opinion | Area Reviewed | Date Issued | Comments | Management Actions Agreed & Follow-Up |
|----------------|----------------|----------------------------------------------------------------------------------------------|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | <p>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>to identify any premium rate calls or texts. All numbers will be investigated and where possible/appropriate, blocked 31 August 2012.</p> <p><i>F/U - Implemented</i></p> <p>A risk assessment will be carried out to ascertain the security risk in officers using mobile device. <i>Yet to be agreed with Business Manager.</i></p> <p><i>F/U - Remains under consideration.</i></p> |
| Tax Management | High Assurance | A review to ensure compliance with the Construction Industry Scheme as governed by the HMRC. | 7 August 2012 | <p>Strengths 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 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> | One P3 action agreed. |

To: Audit Committee
Date: 17 April 2013
Author: John Barnett; Audit Manager, Veritau
Lead Officer: Karen Iveson – Executive Director (S151)

Title: Internal Audit Terms of Reference & Internal Audit Plan 2013/14

Summary: The purpose of this report is to update Members on the position regarding the Internal Audit Terms of Reference to present the proposed Internal Audit Plan for 2013/14.

Recommendation:

It is recommended that the position with the Terms of Reference is noted and Internal Audit Plan for 2013/14 is approved.

Reasons for recommendation

The Audit Committee has responsibility for overseeing the work of internal audit, and agreeing the plan of work to be undertaken on its behalf by the Council's Internal Auditors in line with good practice as set out in the CIPFA Code of Practice for Internal Audit in Local Government.

1. Introduction and background

- 1.1 The Accounts and Audit Regulations 2003, currently, require all Councils to annually review their systems of internal control and to provide an adequate and effective Internal Audit function. This function is provided through Veritau North Yorkshire (VNY).
- 1.2 For the first time, the plan is explicitly aligned to the Council's risk register(s). This accords with commonly accepted good practice and will enable members of the Audit Committee and the management team to satisfy themselves that internal audit activity is focused on the main risks to the Council.

2. The Report

- 2.1 The view of the Audit Commission and the Council's external auditors, Mazars, is that the Terms of Reference documents should be reviewed annually and that review was scheduled for the meeting of 17 April 2013. However, CIPFA, the Chartered Institute of Internal Auditors (CIIA) and HM Treasury have recently consulted on a new set of Public Sector Internal Audit Standards (PSIAS) which will supersede those currently used in the various parts of the public sector. This consultation has now been completed and the new standards are expected to take effect from 1 April 2013.
- 2.2 As the current Terms of Reference are based on the CIPFA Code of Practice, Veritau North Yorkshire (VNY) propose to prepare new Terms of Reference which comply with the new PSIAS for approval by the Committee after that date.
- 2.3 This document sets out the planned 2013/14 programme of work for internal audit, counter fraud and risk management provided by Veritau North Yorkshire for Selby District Council.
- 2.4 In accordance with the CIPFA Code of Practice and the Public Sector Internal Audit Standards (which apply to all public sector bodies from 1 April 2013), internal audit is required to prepare an audit plan on at least an annual basis.
- 2.5 The plan has a total value of 355 days for 2013/14, a reduction of 5% from 2012/13.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

- 3.1.1 The provision of Internal Audit is a statutory requirement.
- 3.1.2 There is no direct linkage to the Council's Vision or Priorities, as internal audit is a support service, which provides internal control, and activity assurance to the Council's and Access Selby's managers on the operation of their services, and specifically to the Executive Director (s151) on financial systems.
- 3.1.3 Internal Audit examines all aspects of the Council's work and accordingly all the Council's Priorities.

3.2 Financial Issues

- 3.2.1 There are no financial implications, beyond the existing budget for Internal Audit and any additional work in respect of Risk Management, and special investigations.

4. Conclusion

- 4.1 The Internal Audit plan has been drafted in consultation with the Executive Director (s151), in consultation with Access Selby managers, and others as outlined above, and taking cognisance of the external auditor's opinion.
- 4.2 Therefore it represents an appropriate plan within the limitations of the budget for Internal Audit.

5. Background Documents

None

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Appendices:

Attached - Selby District Council Internal Audit Plan 2013/14



Selby District Council

Internal Audit Plan 2013-14

| | |
|-------------------------------------|-------------------------------------------------------------------------------------------------------------|
| Audit Manager: | John Barnett |
| Client Relationship Manager: | Roman Pronyszyn |
| Head of Internal Audit: | Max Thomas |
| Circulation List: | Member of the Audit Committee Access Selby Board Chief Executive Executive Director (S151 Officer) |

Date: February 2013

Introduction

- 1 This document sets out the planned 2013/14 programme of work for internal audit, counter fraud and risk management provided by Veritau for Selby District Council.
- 2 In accordance with the CIPFA Code of Practice and the Public Sector Internal Audit Standards (which apply to all public sector bodies from 1 April 2013), internal audit is required to prepare an audit plan on at least an annual basis.
- 3 For the first time, the plan is explicitly aligned to the Council's risk register(s). This accords with commonly accepted good practice and will enable members of the Audit Committee and the management team to satisfy themselves that internal audit activity is focused on the main risks to the Council. Veritau also uses its own risk based assessment in developing the audit plan. The audit plan is a working document and changes are made throughout the year to reflect changes in risk and any issues that arise.
- 4 The content of the audit plan has been subject to consultation with directors and other senior officers and is submitted for formal approval by the Audit Committee who are also responsible for monitoring progress against the plan. Changes to the plan are agreed through the Council's client management arrangements and are notified to the committee. Proposed audit work is also discussed with the Council's external auditors to ensure there is no duplication of effort.
- 5 The plan has a total value of 355 days for 2013/14, a reduction of 5% from 2012/13.
- 6 In previous years the 'material' systems review work has been completed for all key systems. It has been agreed with the Council's external auditors that these systems will only need to be reviewed every other year, unless there are significant changes, which might be in the form of legislation, software or process changes.

2013/14 Audit Plan

- 7 The content of this audit plan for 2013/14 is intended to reflect the pressure placed upon Selby District Council by the current financial position and also reflects the particular assurance needs which result from the relationship between Core Selby and Access Selby. Where appropriate, the differences in risks faced by the two parts of the organisation are drawn out and reasons for the audit approach explained.
- 8 The Audit Plan for 2013/14 is intended to reflect the impact of the savings that the Council needs to make over the coming years. Where possible, it also seeks to identify areas where further savings can be made by aligning operational controls more closely with the identified risk appetite and to provide assurance that the controls used to reduce risk to within the risk appetite are effective. As a result, time has also been put aside within the plan to work with management on Business Transformation and Programme for Growth projects.
- 9 The plan has been structured into a number of sections:-
 - **Corporate Risk Register**; this work involves reviewing the action taken, or to be taken, in managing the key risks to the Council (including Access Selby)

- **Fundamental/Material Systems;** to provide assurance on the key areas of financial risk. This helps support the work of the external auditors and provides assurance to the Council that risks of loss are minimised.
- **Regularity Audits;** to provide assurance on those areas identified through Veritau's risk assessment. Although not identified as a key corporate risk to the Council, they are recognised as key service risks.
- **Technical/Projects;** to provide assurance on those areas of a technical nature and where project management is involved. These areas are key to the Council as the risks involved could detrimentally effect the delivery of services.
- **Client support & Advice;** Work we carry out to support the Council in its functions.
- **Other;** An allocation of time to allow for unexpected work and the follow up of work we have already carried out, ensuring that agreed actions have been implemented.

10 Details of the 2013/14 plan are set out in Appendix A

Internal Audit Plan 2013/14

Corporate Risk Register

| Risk No | Risk | Risk Score | Ref | Audit | Scope | Days |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 027a | Inability of the Council in delivering Affordable Housing | 20 | | Affordable Housing | To review management controls including monitoring arrangements to ensure Government and local targets set are adhered to | 15 |
| 038 | Failure to achieve emerging Savings and Efficiency Strategy | 20 | | Savings Delivery | Seek evidence that the Savings and Efficiency Action Plan and the MTFP are reviewed and linked to the priorities within the Corporate Plan, with particular emphasis on the risk to the control environment. Review the robustness of individual elements of the Action Plan and the progress made to implement specific actions | 10 |
| 040 | The Council's financial position is not sustainable within the current financial strategy and therefore, the Council's Medium Term Financial Strategy (MTFS) is not sustainable in the delivery of the Corporate Plan | 20 | | <i>Linked to:- General Ledger Treasury Management Capital Accounting</i> | | |
| 016 | Delivery of the Corporate Plan relies on capacity and staff goodwill | 16 | | Organisational Development Strategy | To review the Organisation Development Strategy and the performance framework within it ensuring that objectives and actions are instigated and monitored | 10 |
| 058 | Staff morale drops and we loose key staff | 16 | | | | |
| 057 | Unable to respond the changes in government legislation | 12 | | Human Resources | A review limited to the risks/controls in engaging agency staff and consultants | 8 |
| 060 | Staff lack the capacity (time, skills and tools) to manage the transition and develop the new structures to deliver the organisations objectives over the short, medium and long terms | 12 | | Equalities | Completed 2012/13 | - |

| Risk No | Risk | Risk Score | Ref | Audit | Scope | Days |
|---------|-------------------------------------------------------------------------------------------------------------------------------------------|------------|-----|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 041 | Partnerships do not deliver agreed outcomes | 16 | | Partnerships | Completed 2012/13 | - |
| 021 | The organisations and agencies commissioned by SDC to deliver services fail properly to plan and prepare for Business Continuity failures | 12 | | Business Continuity | Completed as part of the Partnerships audit 2012/13 | - |
| 053 | Poor Data Quality. | 16 | | Data Quality (Covalent) | Establish and review the methods used to ensure the quality of data. Review the effectiveness of management use of the systems including monitoring arrangements and remedial action. Ensure objectives are linked to the Access Selby Business Plan | 12 |
| 010 | The Councils Performance Management system requires management and staff buy-in | 12 | | Performance Management | Completed 2012/13 | - |
| 024 | Land assessment may find unexpected contamination | 12 | | Land Contamination | Review the Land Contamination Strategy ensuring controls are in place to monitor progress with land assessments/quality of work | 8 |
| 27b | Not enough capacity to deliver Local Development Frameworks (LDF) | 12 | | LDF/Local Plan | An overview of the adoption of the Core Strategy with emphasis on systems for monitoring and achieving targets set in part to receive the New Homes Bonus Grant | 12 |
| 003 | The Council has, historically, received significant legal challenges to some development proposals | 16 | | Community Infrastructure Levy | No audit this year | - |
| | | | | Development Control | Completed 2012/13 | - |

| Risk No | Risk | Risk Score | Ref | Audit | Scope | Days |
|---------|----------------------------------------------------------------------------------------------------------------|------------|-----|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 061 | Shift to contractual relationship will reduce the organisations flexibility to respond to emerging priorities. | 12 | | Core/Access Selby Service Level Agreement | Review the revised Service Level Agreement between the Core and Access Selby and ensure service delivery and performance is monitored | 10 |
| 063 | Performance specification fails to deliver clarity, simplicity and operational freedom. | 12 | | Business Intelligence | A review of the Time Recording & Activity Based Costing system to provide assurance that the identification of costs for key activities, is robust | 10 |
| | Access Selby RR | | | | | |
| 003 | Failure to understand emerging business models. | 16 | | | | |
| 002 | Lack of robust business intelligence. | 12 | | | | |
| 007 | Failure to meet performance standards. | 12 | | | | |
| 012 | Timing of elections preventing strategic decision making. | 12 | | | | |
| 018 | Financial viability | 12 | | | | |
| 064 | Performance framework fails to identify measures to monitor the high level outcomes which deliver vision | 12 | | Performance Framework | A review of the strategy/actions taken to achieve the Council's '5 big things', within the Corporate Plan <i>Linked to Programme for Growth – see below</i> | 10 |

Fundamental/Material Systems Audits

| Ref | Audit | Scope | Days |
|-----|------------------------------------------------------|------------------------------------------------------------------------------------------------------|------|
| | Housing Rents | Completed 2012/13 | - |
| | Council Tax/NNDR | To review the key risks/controls for the setting and collection of local tax | 20 |
| | Sundry Debtors | Completed 2012/13 | - |
| | Benefits | To review the key risks/controls involved in awarding and paying benefits | 20 |
| | Council House Repairs | Completed 2012/13 | - |
| | Creditors | To review the key risks/controls surrounding the payment of Creditors invoices | 15 |
| | Income/Receipting System(s) | Completed 2012/13 | - |
| | Payroll | Completed 2012/13 | - |
| | General Ledger (budgetary control & reconciliations) | A limited review of the budget setting, monitoring processes and reconciliations with feeder systems | 12 |
| | Treasury Management | Completed 2012/13 | - |
| | Tax Management | Completed 2012/13 | - |
| | Capital Accounting | Completed 2012/13 | - |

Regularity Audits

| Ref | Audit | Scope | Days |
|-----|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|------|
| | Information Governance and Data Protection | A review to ensure information is securely managed in line with policy and legislation | 12 |
| | Council House Sales – Right To Buy | A review of the Council House Sales ensuring discounts are calculated correctly and the legal processes have been correctly followed | 5 |

17

Technical/Project Audits

| Ref | Audit | Scope | Days |
|-----|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| | ICT | To review and provide assurance that IT risks identified are controlled and suitably mitigated to support the business development & ICT Strategy | 12 |
| | Programme for Growth <i>Linked to Risk 64</i> | To review and advise on the individual projects contained within the Programme ensuring that efficient and robust mechanisms are in place for delivery | 20 |
| | Leisure Centre Rebuild | Review of the risks/controls around the rebuild project | 10 |
| | Contract Audit | Review of the risks/controls involved in awarding contracts and compliance with regulations/legislations | 11 |
| | Housing Trust | To assist in the arrangements for setting up the Trust | 10 |
| | Business Transformation | To advise on the project initiatives | 8 |
| | NYCC Shared Services | Project support and risk management | 10 |

81

Client Support & Advice

| Ref | Area | Days |
|-----|----------------------------------------------------------|------|
| | Financial Appraisals | 6 |
| | Committee Prep & Attendance inc AGS, Reg 6 review | 25 |
| | External Audit Liaison | 3 |
| | Miscellaneous Advice | 2 |
| | Member & Officer Training | 3 |
| | Corporate Issues (inc audit planning and client liaison) | 14 |

53

Other

| Ref | Area | Days |
|-----|-------------|------|
| | Contingency | 16 |
| | Follow Ups | 16 |

32

355

To: Audit Committee
Date: 17 April 2013
Author: John Barnett; Audit Manager, Veritau
Lead Officer: Karen Iveson – Executive Director (S151)

Title: Review of the Effectiveness of Internal Audit 2012-13 - Self Assessment

Summary: The purpose of this report is to present the Annual Review of the Effectiveness of Internal Audit, from Veritau North Yorkshire, for approval.

Recommendation:

It is recommended that the findings and any actions from the review be accepted and approved.

Reasons for recommendation

The Audit Committee has responsibility for overseeing the work of internal audit, and ensuring it's effectiveness as prescribed under the Accounts and Audit Regulations.

1. Introduction and background

1.1 The Accounts and Audit Regulations require all Councils to annually review their systems of Internal Control and to provide an adequate and effective Internal Audit function.

2. The Report

2.1 The regulations were revised with the issue of circular SI 817/2011. This required that the council undertake an annual review of the effectiveness of its internal audit, and to present the results of that review to the appropriate committee. In Selby District Council, this report is considered by the Audit Committee.

2.2 Client satisfaction surveys are issued to managers at the end of each audit. The results of the manager survey (10 responses from 12 invitations), are attached. They indicate that overall there is a high level of satisfaction with all 10 respondents expressing overall

satisfaction with the audit work. Within that, all rated the individual elements (planning, performance and reporting) as either good or excellent, apart from two respondents who rated consultation as satisfactory.

- 2.3 With effect from 2013/14 the report of the effectiveness of internal audit will be included in the Annual Report of the Head of Internal Audit as required by the Public Sector Internal Audit Standards.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

- 3.1.1 The Council is under statutory obligation under the Accounts and Audit Regulations (as amended) to conduct an annual review of the effectiveness of its systems of internal audit. Failure to have undertaken the review would have been in breach of this statutory requirement.

3.2 Financial Issues

- 3.2.1 There are no financial implications associated with the recommendations in the report.

4. Conclusion

- 4.1 The overall conclusion of the self assessment (supported by the Client Satisfaction Survey results) is that the internal audit service for Selby was largely compliant with the CIPFA Code of Practice for Internal Audit in Local Government.

5. Background Documents

None

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Appendices:

Attached – Review of the Effectiveness of Internal Audit 2012/13 –
Self Assessment



Selby District Council

Review of the Effectiveness of Internal Audit 2012-13 Self Assessment

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: February 2013

Introduction

- 1.1 The Accounts and Audit Regulations require all Councils to annually review their systems of Internal Control and to provide an adequate and effective Internal Audit function.
- 1.2 The regulations were revised with the issue of circular SI 817/2011. This required, that the council undertake an annual review of the effectiveness of its internal audit, and to present the results of that review to the appropriate committee. In Selby District Council, this report has considered by the Audit Committee.
- 1.3 With effect from 2013/14 the report of the effectiveness of internal audit will be included in the Annual Report of the Head of Internal Audit as required by the Public Sector Internal Audit Standards

Background

- 2.1 Internal audit at the Council is provided through Veritau (which comprises Veritau North Yorkshire Ltd and Veritau Ltd).
- 2.2 The Internal Audit programme for 2012/13 was agreed with the Section 151 officer and approved by the Audit Committee. It totalled 375 days of internal audit work, plus a provision of up to 35 days to provide support to the Council's Risk Management processes.
- 2.3 During 2012/13 the internal audit work for Selby was delivered in accordance with the CIPFA Code of Practice for Internal Audit in Local Government (the CoP).
- 2.4 The code sets out 11 standards for internal audit. These cover the following:
 1. Scope of Internal Audit;
 2. Independence;
 3. Ethics;
 4. Audit Committees;
 5. Relationships;
 6. Staffing, training and Continuing Professional Development;
 7. Audit Strategy and Planning;
 8. Undertaking Audit Work;
 9. Due Professional Care;
 10. Reporting: and
 11. Performance, Quality and Effectiveness
- 2.5 An assessment of the position of Veritau in respect of each area is set out in Appendix 2.

Client Satisfaction Surveys

- 3.1 Client satisfaction surveys are issued to managers at the end of each audit. The results of the manager survey (10 responses from 12 invitations), are attached as Appendix 1. They indicate that overall there is a high level of satisfaction with all 10 respondents expressing overall satisfaction with the audit work. Within that, all rated the individual elements (planning, performance and reporting) as either good or excellent, apart from two respondents who rated consultation as satisfactory.

Assessment and Conclusion

- 4.1 The overall conclusion of the self assessment (supported by the Client Satisfaction Survey results) is that the internal audit service for Selby was largely compliant with the CIPFA Code of Practice for Internal Audit in Local Government.

Selby District Council 2012/13 – Reg 6 Survey

(10 survey forms received and analysed)

Rating

| | Unacceptable | Poor | Satisfactory | Good | Excellent |
|-----------------------------------------------------------------------------------------------------------------------|--------------|------|--------------|------|-----------|
| Planning | | | | | |
| The consultation on the timing of the audit. | 0 | 0 | 2 | 8 | 0 |
| The consultation on the scope and objectives of the audit | 0 | 0 | 0 | 9 | 1 |
| Performance of the Audit | | | | | |
| The auditor's understanding and knowledge of the systems, procedures and key risks of the audit area. | 0 | 0 | 0 | 8 | 2 |
| The professionalism and overall conduct of the auditor. | 0 | 0 | 0 | 7 | 3 |
| The extent to which the audit was carried out efficiently causing the minimum disruption. | 0 | 0 | 0 | 7 | 3 |
| The level of communication throughout the audit with you and your staff. | 0 | 0 | 0 | 8 | 2 |
| Feedback provided by the auditor on the audit findings and actions before the issue of the draft report. | 0 | 0 | 0 | 7 | 3 |
| Audit Report | | | | | |
| The overall quality of the audit report in terms of its clarity and factual accuracy. | 0 | 0 | 0 | 7 | 3 |
| Actions agreed were practical, cost effective and will help improve controls. The time taken to issue the report. | 0 | 0 | 0 | 8 | 2 |
| The opportunity you were given to comment on the findings and suggested actions of the audit. | 0 | 0 | 0 | 8 | 2 |
| Totals | | | | | |
| Totals | 0 | 0 | 2 | 84 | 24 |
| Percentages | 0 | 0 | 2 | 76 | 22 |
| Overall Satisfaction | | | | | |
| Considering the audit overall, would you say that you were more satisfied than dissatisfied with the service receive? | | | Yes | No | |
| | | | 10 | 0 | |

CIPFA CoP –Internal Audit Self Assessment

| Adherence to Standard | Compliance | Evidence of achievement | Areas for development |
|--------------------------|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| Scope | Fully | Detailed in the Audit Charter approved by the Audit Committee. Scope adheres to CoP Other work addressed in Charter Arrangements made to report frauds | To review in the light of new PSIAS |
| Independence | Fully | Internal Audit provided by an independent company Potential conflict with non internal audit activities identified and declared | None |
| Ethics. | Fully | All Veritau staff required to sign statement of ethics and declare potential conflicts Staff reminded as part of annual appraisal process | Increase rotation of staff in Selby |
| Audit Committee | Fully | Audit Committee independent of management Strategy and plans approved by the committee Progress monitored See Audit Committee papers | None |
| Relationships | Fully | Established protocols with external audit Good relations established with audit committee and with management | Documentation of communications channels to be reviewed and updated |
| Staffing, Training & CPD | Largely | Wide skills base established Subject Matter Experts identified CPD monitored and evaluated annually Regular training days for all staff held | SME skills to be emphasised and further development encouraged Staff to be encouraged to undertake PIIA/CMIIA where appropriate |
| Strategy & Planning | Fully | Plans based in IA evaluation of risk | For 13/14 audit plans explicitly aligned to Selby risk register |
| Undertaking audit work | Largely | Audit Manual includes all elements detailed in Code Galileo system required consistency in recording and presentation | Practice will now increase emphasis on risk based internal audit (as opposed to control based) |
| Due Professional Care | Fully | Detailed in Audit Manual Included in standard induction package for all staff | None |

| Adherence to Standard | Compliance | Evidence of achievement | Areas for development |
|-----------------------|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|
| Reporting | Fully | Detailed in manual and Galileo Conforms to requirement of the Code | None |
| Performance. | Largely | Manual exists and annual review of work carried out to confirm compliance All audit assignments subject to review by managers at key stages Evidence of review required by Galileo | Peer review arrangements to be developed |

To: Audit Committee
Date: 17 April 2013
Author: Richard Besley, Democratic Services Officer
Lead Officer: Karen Iveson, Executive Director (S151)

Title: Audit Committee Annual Report

Summary: The report provides an update on the work of the Audit Committee for 2012/13

Recommendation:

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

Reason for recommendation

The Committee ensures the contribution of Audit is effective in supporting service improvement and delivery against district wide and Council priorities.

1. Introduction and background

1.1 During the past 12 months the Audit Committee has met on four occasions, working with the North Yorkshire Audit Partnership/Veritau scrutinising the work of Selby District Council and identifying and analysing risks to the Authority and its structure.

1.2 The Annual Report (Appendix A) provides an update on the topics scrutinised and the work of the committee.

2. The Report

2.1 There have been Risk Registers for the Council as well as those for the new arms of service delivery and community engagement, Access Selby and Communities Selby for the committee to consider as well as Audit reports for Service Areas and the reports and statements from the Audit Commission.

3. Conclusion

The committee agrees that the information submitted in the Annual Report is accurate and recommend the report to go to Full Council.

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Appendices:

Appendix A – Annual Report 2012/13 Document

Selby District Council

AUDIT COMMITTEE
ANNUAL REPORT
2013/2014

Introduction by Councillor Elizabeth Casling - Chair of the Audit Committee

I am pleased to present the Audit Committee Annual Report 2013/14.

This is the second year under the Executive Model and the second year under the Council's new Organisational Structure. The overall responsibility for the Committee is to scrutinise and monitor the Council's control systems, procedures and risk management systems. As Chair of the Committee I provided a report to each Council meeting highlighting the Committee's work.

The Audit Committee met four times in 2012/13 and considered a range of different issues. The Committee's Work Programme was contributed to by the North Yorkshire Audit Partnership, Veritau formerly NYAP as well as Councillors and ensured focus on the priorities of the Council and the concerns of local people.

The review of Audit Commission/Mazars reports of Selby District Council and Veritau/NYAP Audit reports of Council services were included on the Work Programme.

I would like to thank all Councillors of the Audit Committee for their support and continued hard work. Many people have contributed to the success of Audit, including officers, external partner organisations and my thanks goes out to all of them.

I look forward to the continuing progress of Audit in 2013/14.

Membership of the Audit Committee:

9 Members

| Conservative | Labour | Independent |
|------------------------|---------------|--------------------|
| E Casling (Chair) | J Crawford | M McCartney |
| C Mackman (Vice Chair) | R Packham | |
| J Cattnach | | |
| M Dyson | | |
| I Nutt | | |
| I Reynolds | | |

Support

Karen Iveson, Executive Director S151

Richard Besley, Democratic Service Officer.

THE WORK OF AUDIT COMMITTEE IN 2012/13

The Audit Committee reviews:

- the statutory financial statements of the Council and Annual Governance Statement;
- reports made on Selby District Council by the Audit Commission (External Audit);
- work of the NYAP (Internal Audit);
- the financial strategy of Selby District Council;
- other issues falling within the Council's control and risk management framework.

AUDIT COMMISSION / MAZARS

As the external auditor for the Council the Commission undertakes reviews of the Council's procedures and controls and reports their findings. These reports are then scrutinised by the Audit Committee. The Council appointed Mazars as new external auditors in January 2013 who carried out the same role.

1. Audit Commission's Annual Governance Report and Opinion of the Financial Statements

Presented at Committee by Rob Chambers, the Commission's Audit Manager at the Leeds office, the report 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.

2. Annual Governance Statement Action Plan Review

The Committee were informed that the efforts made to resolve the issues reconciling housing rents and housing benefits had been successful and work was now up to date.

The Committee will consider this item at its meeting on 17 April 2013.

3. Annual Audit Letter 2011/12

The Commission concluded that the Council had made proper arrangements to secure economy, efficiency and effective use of resources.

4. Audit of Grant Claims & Returns 2012/13

The External Auditor confirmed that there had been four claims to consider and all had been certified.

1. Internal Audit Annual Report 2011/12

At its first meeting the Committee reviewed NYAP's annual report for 2011/12. The Committee felt that, while satisfactory was indicative of a successful audit, managers and officers should aim for an overall good standard. The Committee were also informed that the new Covalent system, when fully implemented, would allow officers and managers to manage their actions.

2. Internal Audit Progress Report 2012/13

During the year the Committee considered three quarterly reports which provided an update on the work of Veritau and Audit reports.

- Quarter 1+ Report – 26 September 2012
- Quarter 2+ Report – 16 January 2013
- Quarter 3+ Report – 17 April 2013

Quarter 1

It was reported that 45% of the annual work had been done in under half a year. The Committee were also informed that two completed audits identified elements of over control and that revised procedures would lead to reduced action and therefore cost savings.

The Committee were provided with further details 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 Committee were assured that there had been no indication of fraudulent activity and that a process of adequate and proportionate control was in place. It was also confirmed that a follow up audit was conducted.

Quarter 2

The Senior Audit Manager for Veritau presented the report and confirmed overall opinion, to date, was of substantial assurance. The manager reported that currently, there were 7 audits in progress. The recent audit on ICT that had issued a limited assurance had identified key weaknesses and would be followed up in July.

The Committee emphasised the importance that residents satisfaction views on Council House repairs was considered and hoped that some customer sign off was in place.

3. External Audit Progress Report

The new external auditors for Selby District Council, Mazars were present at the meeting on 16 January 2013. The Committee were informed that, in 2012 a number of auditors from the Audit Commission were transferred to new private

sector employers and the Commission's Audit Practice was closed. Mazars were one of the firms appointed by the Audit Commission to carry out the audit of local councils in England.

The Committee were informed that an Audit Strategy would be presented at the next meeting in April 2013.

3. Counter Fraud Annual Review

Fraud is a serious concern to all organisations, and particularly so for public bodies whose funds are finite and subject to considerable demands for both expansion of services and to reduce public sector spending. NYAP reported that the Council, both Access Selby, and the Core, take fraud seriously and have developed effective Counter Fraud arrangements, following good practice guidelines from CIPFA and Veritau.

When considering this report, the Committee were brought up to date with the Council's counter fraud approach and outcomes and were also appraised of the key contents of the CIPFA report 'Managing the Risk of Fraud'.

4. Risk Management

Annual Report

The Committee were informed that there was now a cycle in place to review, twice in each year, the Council's three risk registers. These were the Corporate Risk Register, Access Selby Risk Register and Communities Selby Risk Register.

Corporate Risk Register

The Committee considered the Corporate Risk Register at its meeting on 19 June 2012. Officers confirmed that there would be a staff survey conducted and information was also provided on alternative gym provision following the fire at Abbey Leisure Centre. The Committee requested that there be some movement on risks by January.

At their meeting on 16 January 2013, the Committee considered the Register again and asked for progress on the review of Contaminated Land Strategy.

Access Selby Risk Register

The Committee were informed that two risks had gone down where results had exceeded expectations and where Access Selby had done a lot of development work.

Three risks had increased slightly however though this was due to appreciation and recognition of the impact of the new roles and work patterns of Access Selby that had seen the risks re-assessed.

At their meeting on 16 January 2013, the Committee considered the Register again and were informed of the status of the 14 risks associated with Access Selby.

Communities Selby Risk Register

The report showed those risks where there had been changes with some risks being downgraded. There was one new risk relating to the development of the CEFs.

It was explained that Communities Selby had originally been concerned on the impact on service when the temporary team structure was disbanded, however, the ability to call on WLCT staff had helped mitigate the risk.

Review of Risk Management Strategy

The Committee endorsed the Risk Management Strategy at their meeting on 16 January 2013.

5. Internal Charter, Terms of Reference and Audit Plan 2013/14

This item will be received by the Committee on 17 April 2013.

6. Accounts and Audit Regulation 6 Review

This item will be received by the Committee on 17 April 2013.

SELBY DISTRICT COUNCIL

The Committee also scrutinises Council Accounts and Annual Governance Statement.

1. Statement of Accounts (Post Audit)

It is a statutory requirement that Councillors approve the Council's audited accounts which had been produced under the requirements of International Financial Reporting Standards (IFRS). This was a major change for the production of accounts and was due to allow national public sector accounts of the UK compatible with most other countries and companies globally.

It is important that the Council has sound financial, governance and resources management arrangements in place to ensure that resources are available and used to support the Council's priorities, improve services and secure value for money for our citizens.

The Committee were asked to examine the Statement of Accounts in detail and raise issues with the Executive Director (s151) or at the meeting of the Committee where the Committee questioned and approved the accounts by chapter.

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

The Committee approved the accounts for the financial year 2011-12.

2. Annual Governance Statement

The Council's Annual Governance Statement (AGS) meets a legal requirement to review the effectiveness of its system of internal control at least annually.

The CIPFA "Statement on the Role of the Chief Financial Officer in Local Government" expects the AGS will include a specific statement on whether the Council's financial management arrangements conform to the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government". At Selby there is full compliance. The Executive Director (s151 officer) is a member of the Strategic Management Team.

Veritau as External Auditor will consider the AGS as part of his auditing of the Statement of Financial Accounts. The Auditor is required to issue his opinion on the accounts and sign them off. Any matters arising from the audit work will be brought to the attention of the Committee in due course.

In adopting and approving the AGS at the September meeting, the report to the Committee identified three issues for improvement and a summary of the action taken and proposed. The issues identified were as follows:

- 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.
- 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).
- There is a lack of capacity and expertise in financial administration within Business Support.

The Committee accepted the AGS would be subject to regular monitoring by the Council's Strategic Management Team and the Audit Committee, where appropriate.

To: Audit Committee
Date: 17 April 2013
Author: Richard Besley, Democratic Services Officer
Lead Officer: Karen Iveson, Executive Director (S151)

Title: Audit Committee Work Programme 2013/14

Summary: The report provides a draft work programme for Audit Committee for the 2013/14 municipal year. The Committee is asked to contribute to and approve the work programme.

Recommendation:

That Councillors use the attached information and the discussion with those present at the meeting to develop its work programme.

Reason for recommendation

That the Committee ensures the contribution of scrutiny is effective in supporting of service improvement and delivery against district wide and Council priorities.

1. Introduction and background

- 1.1** The adoption of a revised constitution and an Executive system from May 2011 has placed an increased emphasis on the role of the three scrutiny committees within Selby District Council.
- 1.2** This report provides the Audit Committee with a draft Work Programme for approval.
- 1.3** The Constitution states that 'each year all Overview and Scrutiny Committees will formulate a work programme setting out their planned work for the year ahead'. It also states that Overview and Scrutiny Committees must consult with the Executive, before presenting their Work Programme to Council. The Work Programme is scheduled for the Executive in May 2013 and then to be approved by Council in May 2013.

2. The Report

- 2.1** Councillors are reminded that the role of Audit Committee is to implement an annual work programme which effectively scrutinises and monitors the control systems, procedures and risk management systems operating at the Council.
- 2.2** The Work Programme has been developed to allow the opportunity for focussed debate on key issues and to allow the time for the committee to add real value to the topics identified.
- 2.3** A key aspect of the work programme is that it should be owned and developed by councillors. The ideas put forward by officers represent a suggested way forward, but it is important that councillors give input to the work programme.
- 2.4** However, when considering new items for inclusion on the work programme it is important that the following are taken into consideration:

Relevance:

Undertaking scrutiny work is resource intensive for both councillors and officers. Investing such a level of resources can only be justified for high priority issues. The suggested topic should relate to issues associated with the Corporate Plan, the Council's 2013/14 priorities, the Forward Plan and the Budget.

Co-ordination:

Topics on the work programme should not already be under consideration elsewhere within the Council or, if long term plans have been agreed, the work of Overview and Scrutiny should be co-ordinated and timely.

Time and Resource Constraints:

The Committee is scheduled to hold four meetings per year; this provides a finite amount of time for the Committee to carry out its work programme. Councillors may wish to supplement this with task and finish groups or by requesting individual members to carry out work. However, the time constraints and resource demands of both councillors and officers should be considered when determining how many task and finish groups it is feasible to operate at one time.

- 2.5** In addition to the work programme, Audit Committee members will receive all final Internal Audit reports and can request that relevant officers attend scheduled meetings, to be held to account for issues raised during audit.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

Any legal issues arising will be identified in the relevant report at the time of consideration by the Committee.

3.2 Financial Issues

There is a defined budget available for the ad hoc costs associated with the support of Task and Finish Groups. A budget has been allocated for officer time in supporting the committee and this will be closely monitored.

4. Conclusion

That the Committee uses the attached draft and discussion at the meeting to finalise a work programme to present to the Executive and Council.

5. Background Documents

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Appendices:

Appendix A – Draft Audit Committee Work Programme

Audit Committee Work Programme 2013/14

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

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

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

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