



Meeting: **AUDIT COMMITTEE**
Date: **16 APRIL 2014**
Time: **5.00PM**
Venue: **COMMITTEE ROOM**
To: **Councillors C Pearson (Chair), J Cattanach, Mrs D Davies,
M Dyson, Mrs C Mackman (Vice Chair), Mrs M McCartney,
Mrs W Nichols, I Nutt, Mrs S Ryder**

Agenda

1. Apologies for absence

2. Disclosures of Interest

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

3. Minutes

To confirm as a correct record the minutes of the proceedings of the meeting of the Audit Committee held on 15 January 2014.
Pages 3 to 7 attached.

4. Chair's Address to the Audit Committee

5. A/13/23 – Mazars Audit Strategy Memorandum 2013/14 and Audit Progress Report April 2014

To receive the reports of Mazars, pages 8 to 24 and 25 to 36 attached.

6. A/13/24 – Certification of Grants and Returns Work Plan 2013/14

To receive the reports of Mazars, pages 37 to 47 attached.

7. A/13/25 – Annual Governance Statement – Action Plan Review

To receive the report of Executive Director (S151), pages 48 to 51 attached.

8. A/13/26 – Internal Audit Progress Report 2013/14

To receive the report of Executive Director (S151), pages 52 to 68 attached.

9. A/13/27 – Internal Audit Charter

To receive the report of Executive Director (S151), pages 69 to 80 attached.

10. A/13/28 – Internal Audit Plan 2014/15

To receive the report of Executive Director (S151), pages 81 to 91 attached.

11. A/13/29 – Audit Committee Annual Report 2013/14

To receive the report of the Executive Director (s151), pages 92 to 101 attached

12. Audit Committee Work Programme 2013/14

To receive the Work Programme for 2014/15, pages 102 to 105 attached

13. Private Session

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

14. A/13/30 – Information Governance & Data Protection 2013/14

To receive the report of the Executive Director (s151), pages 106 to 117 attached

**Mary Weastell
Chief Executive**

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

Minutes

Audit Committee

- Venue: Committee Room
- Date: 15 January 2014
- Present: Councillor J Cattanach, Councillor M Dyson, Councillor M Jordan (substitute for C Pearson), Councillor Mrs S Ryder and Councillor Nutt.
- Apologies for Absence: Councillor Mrs C Mackman (Vice Chair), Councillor Mrs M McCartney, Councillor C Pearson (substitute M Jordan) and Councillor W Nichols
- Officers Present: John Barnett, Veritau; Gavin Barker, Mazars, Karen Iveson, Executive Director (S151) and Richard Besley, Democratic Services

24. APPOINTMENT OF TEMPORARY CHAIR

The Democratic Services Officer informed the meeting that apologies had been received from both the Chair and Vice Chair and a temporary Chair needed to be appointed for the meeting.

RESOLVED:

Councillor Cattanach was appointed to Chair the meeting.

25. DECLARATIONS OF INTEREST

There were no declarations of interest.

26. MINUTES

RESOLVED:

To receive and approve the minutes of the Audit Committee held on 25 September 2014 and they are signed by the Chair.

27. CHAIR'S ADDRESS

The Chair gave no opening address.

28. A/13/15 – Annual Governance Statement – Action Plan Review

The report was presented by John Barnett, the Audit Manager Veritau; it considered the progress on the Annual Governance Statement (AGS) 2012/13 Action Plan which was approved in September 2013. The Action Plan was now returning for its six monthly review.

The Audit Manager confirmed that the Disaster Recovery Plan for ICT had been completed and that controls were now in place to prevent a recurrence of incorrect billing in 2014/15.

The Executive Director (s151) confirmed that the Council were still waiting to see what the Council Tax rise threshold would be to trigger a referendum. There may still be changes to the 2014/15 billing and that, although timescales were tight, there was commitment from all involved.

RESOLVED:

To note the Action Plan for the Annual Governance Statement for 2012/13.

29. A/13/16 – Internal Audit Quarter 2+ Report 2013/14

John Barnett, Audit Manager for Veritau presented the report which identified the work of Veritau's Auditors for the period April to December 2013. It confirmed the Audit Opinion was of Substantial Assurance.

The Audit Manager informed the Committee that the report had been prepared before the Christmas break and that progress had been made in the outstanding Audits. He confirmed that action had been taken on the two Service Audits reporting Moderate Assurance and they would be further reviewed.

RESOLVED:

To receive and approve the report.

30. A/13/17 – Audit Annual Letter 2012/13

The Annual Audit letter from the external Auditor's Mazars, acting for the Audit Commission, offered an unqualified opinion of Selby Council's 2012/3 financial statements.

The Auditors had concluded that, despite continuing pressures, the Council had proper arrangements to ensure economy, efficiency and effectiveness in the use of its resources.

Mazars felt that with steps already taken and with significant plans in place for future constraints.

The Committee agreed that the financial control framework was to be congratulated.

RESOLVED:

To receive and approve the report.

31. A/13/18 – Audit of Grant Claims & Returns 2012/13

Gavin Barker for Mazars, submitted the Annual Report on the Certification of Claims and Returns. The Auditor confirmed that there had been four claims to consider and all had been certified.

RESOLVED:

To receive and note the report.

32. A/13/19 – External Audit Progress Report

Gavin Barker, for Mazars, presented the report outlining their progress in meeting their responsibilities as the Council's external Auditor and highlighted key emerging issues and developments.

Mazars would bring the Audit Plan for 2014/15 to the April meeting and the Auditor confirmed that fees for that period currently under discussion would remain the same as the previous year.

Plans from DCLG in relation to Accounts and Audit Regulations include whether the local authority accounts production timetable should be brought forward. The Executive Director (s151) confirmed that the Council was monitoring this development.

RESOLVED:

To receive and approve the report.

33. Review of Draft Work Programme 2014/15

The Democratic Services Officer presented an early draft of the Work Programme for 2014/15 that would be adopted by the Committee at its next meeting.

Within the current Work Programme Veritau had requested that Accounts and Audit Regulation 6 Review be deferred until the June meeting and that the Internal Charter & Terms of Reference and the Audit Plan for 2014/15 would be split into two reports.

RESOLVED

To receive and note the report.

It was agreed to move to private session.

34. 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.

35. A/13/20 Review of Risk Management Strategy

The report was presented by the Executive Director (s151) which reviewed the Risk Management Strategy who confirmed that culture was embedded into the Council's processes and procedures and managed through the Strategy.

Reference to Communities Selby would be removed from the Strategy.

RESOLVED:

To endorse the actions of officers in furthering the progress of risk management.

36. A/13/21 Review of Corporate Risk Register

Presented by the Executive Director (s151), the report updated Councillors on movements within the Corporate Risk Register for the Council, which was last reviewed by those responsible officers in October 2013.

RESOLVED:

To endorse the actions of officers in furthering the progress of risk management.

37. A/13/22 Review of Access Selby Risk Register

Presented by the Executive Director (s151), on behalf of Access Selby, the report detailed the Access Selby Corporate Risk register which has been reviewed to align with wider development of the Access Selby Business Plan.

RESOLVED:

To endorse the actions of officers in furthering the progress of risk management.

The meeting closed at 6:00pm

Audit Strategy Memorandum

Selby District Council – year ended 31 March 2014

April 2014



Mazars LLP
The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

Audit Committee
Selby District Council
Civic Centre
Doncaster Road
Selby
North Yorkshire
YO8 9FT

April 2014

Dear Members

Audit Strategy Memorandum for the year ending 31 March 2014

We are delighted to present our Audit Strategy Memorandum for Selby District Council for the year ending 31 March 2014.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. It is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, and Appendix A summarises our considerations and conclusions on our independence as auditors.

We value two-way communication with yourselves and we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion through which we can also understand your expectations.

This document will be presented at the Audit Committee meeting on 16 April 2014. If you would like to discuss any matters in more detail please do not hesitate to contact me on 0191 383 6300.

Yours faithfully

Cameron Waddell
Director, for and on behalf of Mazars LLP

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

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

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01 Purpose and background

Purpose of this document

This document sets out our audit plan in respect of the audit of the financial statements of Selby District Council (the Council) for the year ending 31 March 2014, and forms the basis for discussion at the Audit Committee meeting on 16 April 2014.

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.

We see a clear and open communication between ourselves and you as important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with 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 your attitude and views in respect 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.

Appendix C outlines the form, timing and content of our communication with you during the course of the audit. Appendix D sets out forthcoming accounting and other issues that will be of interest.

Scope of engagement

We are appointed to perform the external audit of Selby District Council for the year to 31 March 2014. The scope of our engagement is laid out in the Audit Commission's Code of Audit Practice for Local Government bodies.

Responsibilities

The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies 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
- the Code of Audit Practice for Local Government bodies.

We, as auditors to the 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 of Government Accounts submission with the audited financial statements. Our audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK and Ireland) we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud, we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

02 Audit scope, approach and timeline

Audit scope

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) and in accordance with the Code of Audit Practice for Local Government Bodies. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement such as those impacted by management 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.

Audit approach

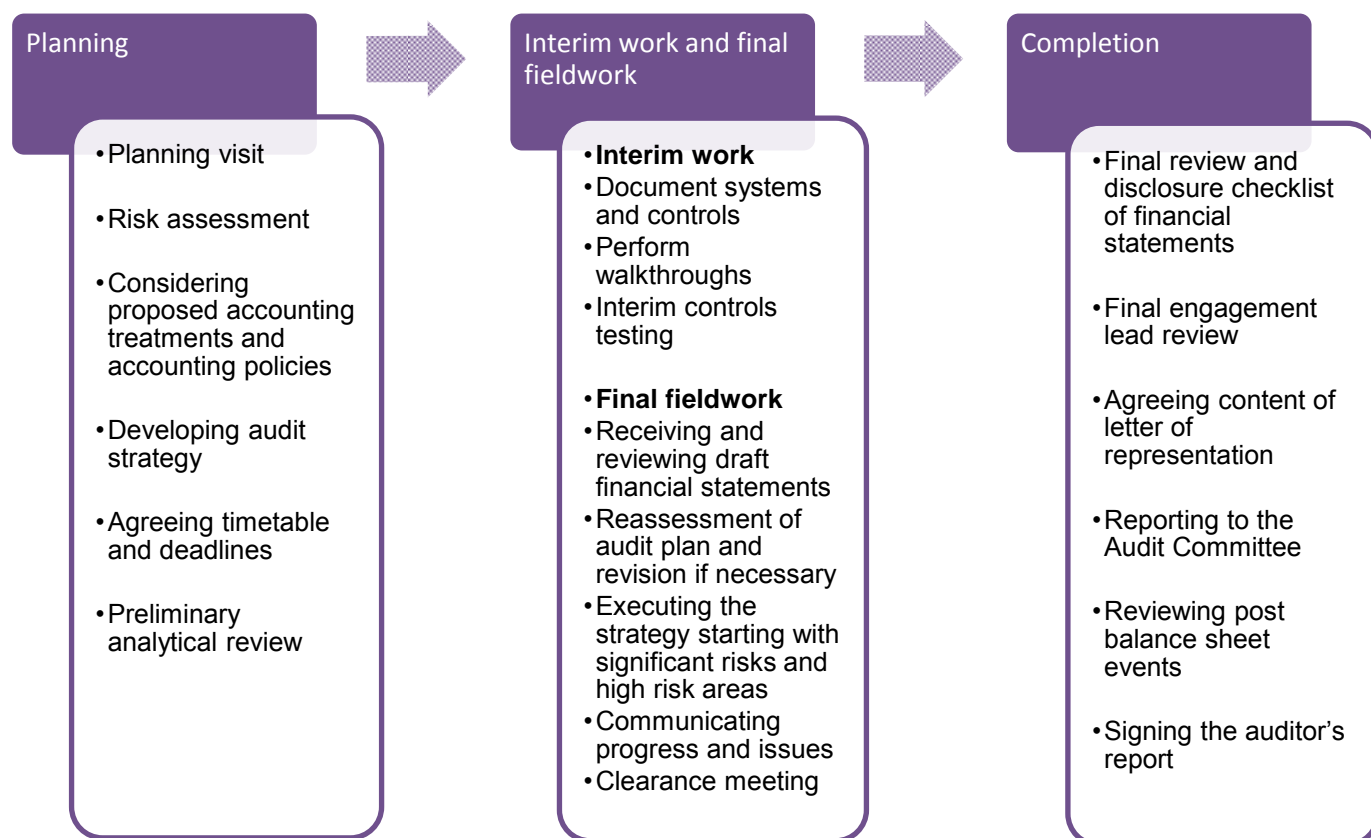
Our audit approach is a risk-based approach, primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment we develop our audit strategy and design audit procedures in response to this assessment. The work undertaken will include a combination of the following as appropriate:

- testing of internal controls;
- substantive analytical procedures; and
- detailed substantive testing.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing.

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. Materiality and misstatements are explained in more detail in Appendix B.

The diagram below outlines the procedures we perform at the different stages of the audit.



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 will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

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

We do not have any current plans to specifically rely on the work of Internal Audit.

Reliance on other auditors

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

Service organisations

We are required to assess whether there are any material entries in your financial statements where the Council is dependent on an external organisation. We call these entities 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.

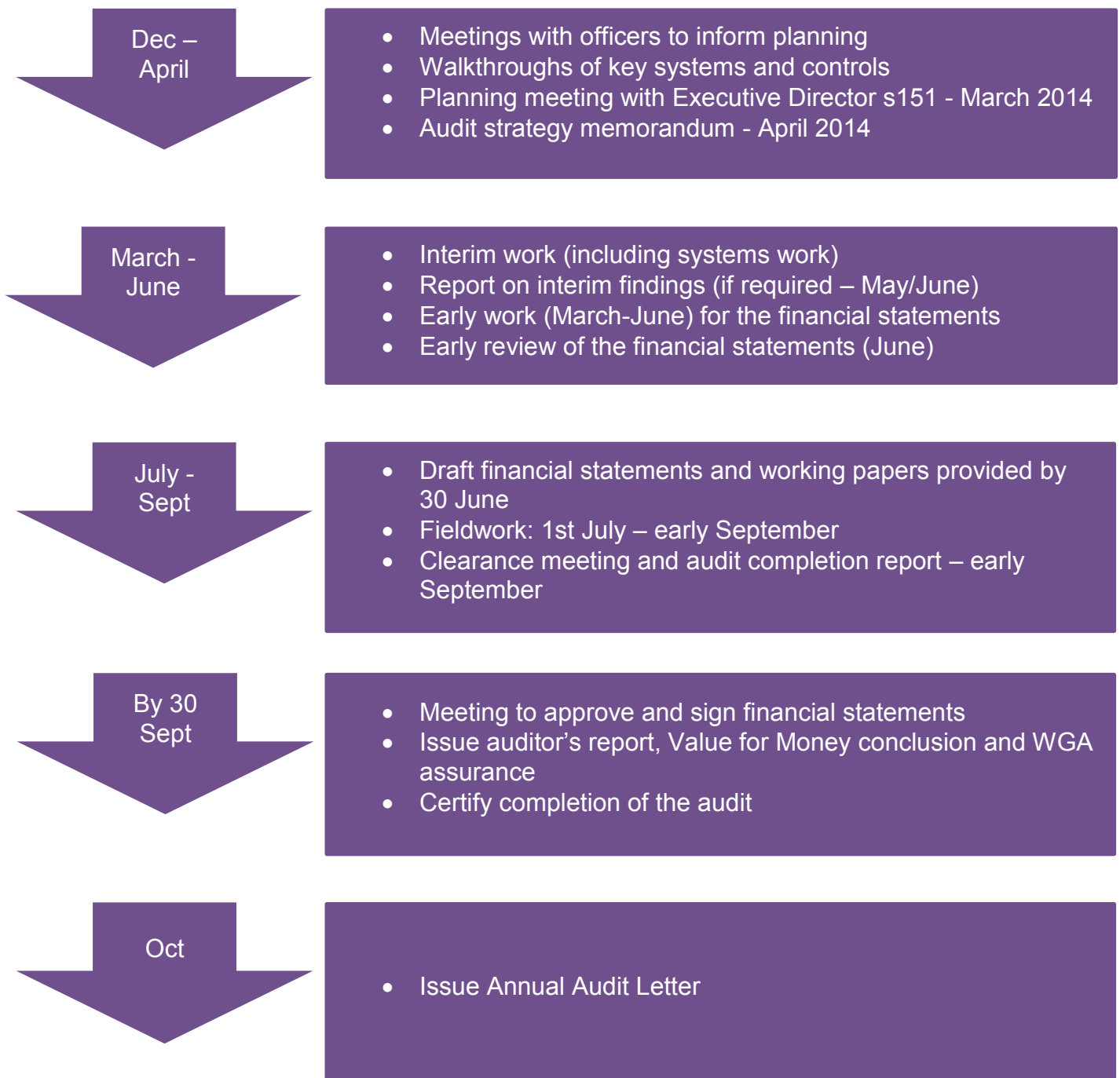
The work of experts

We plan to rely on the work of the following experts:

Items of account	Management's expert	Our expert
Asset valuations	External Valuer	Audit Commission's consulting valuer (Gerald Eve)
Pension liability	Actuary (Mercers)	Audit Commission's consulting actuary (PWC)
Financial instruments – fair value disclosures	Capita Asset Services (Treasury Management Advisor)	Audit Commission – national consideration of the use of Capita Asset Services

Timeline

The diagram below sets out the timing of the key phases of our audit work. We will communicate with management throughout the audit process and will ensure significant issues identified are communicated to those charged with governance on a timely basis.



03 Significant risks and key judgement areas

We have performed our planning procedures, including risk assessment, as detailed in section 2. In addition, we met with management as part of the audit planning process to discuss the risks that, in management's opinion, the Council faces and have considered the impact on our audit risk. The risks that we identify as significant for the purpose of our audit are the risks of material misstatement that in our judgement require special audit consideration.

We set out below the significant audit risks and the areas of management judgement identified as a result of these meetings and planning procedures which we will pay particular attention to during our audit in order to reduce the risk of material misstatement in the financial statements.

Significant audit risks

Management override of controls

Description of the risk

Auditing standards state that management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits. This does not imply that we suspect actual or intended manipulation but that we approach the audit with due professional scepticism.

How we will address this risk

We have updated our understanding and evaluation of internal controls procedures as part of our audit planning, including completion of a fraud risk assessment. As part of this, we will seek written assurances from the Audit Committee and management on their controls and processes for assessing the risk of fraud in the financial statements and arrangements in place to identify, respond to and report fraud.

Our testing strategy for this significant risk due to fraud will include:

- journals recorded in the general ledger and other adjustments made in preparation of the financial statements;
- consideration and review of material accounting estimates impacting on amounts included in the financial statements;
- consideration and review of any unusual or significant transactions outside the normal course of business; and
- consideration of any other local factors.

Revenue recognition

Description of the risk

Auditing standards include a rebuttable presumption that there is a significant risk in relation to the timing of income recognition and in relation to judgements made by management as to when income has been earned. Mazars' policy is that the scope to apply such a rebuttal is limited. As there is an inherent risk of fraud in revenue recognition we consider it to be a significant risk on all audits. This does not imply that we suspect actual or intended manipulation but that we continue to approach the audit with due professional scepticism.

How we will address this risk

We will evaluate the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, we will undertake a range of substantive procedures including:

- testing receipts in March and April 2014 to ensure they have been recognised in the right year;
- testing adjustment journals; and
- obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger.

Expenditure recognition

Description of the risk

Auditing standards include a rebuttable presumption that there is a significant risk in relation to the timing of expenditure recognition and in relation to judgements made by management as to when expenditure has been incurred. As there is a risk of fraud in revenue recognition we regularly consider it to be a significant risk. This does not imply that we suspect actual or intended manipulation but that we continue to approach the audit with due professional scepticism.

How we will address this risk

We will evaluate the design and implementation of controls to mitigate the risk of expenditure being recognised in the wrong period. In addition, we will undertake a range of substantive procedures including:

- testing payments in March and April 2014 to ensure they have been recognised in the right year;
- testing adjustment journals; and
- obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger.

Pension entries (IAS 19)

Description of the risk

The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

How we will address this risk

We will discuss with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we will:

- evaluate the management controls you have in place to assess the reasonableness of the figures provided by the actuary; and
- consider the reasonableness of the actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the Audit Commission.

Property, Plant and Equipment – depreciation, revaluations and impairments / prior year errors

Description of the risk

Accounting standards and CIPFA's Code of Practice on Local Authority Accounting require that all property, plant and equipment are depreciated, unless there is a specific exception. There are also requirements to regularly revalue assets carried at fair value on the Council's balance sheet and to carry out impairment reviews.

These involve management judgements over the useful lives and valuations of assets.

In addition, there have been material errors in accounting for property, plant and equipment in recent years, which required correction.

How we will address this risk

We will evaluate the design and implementation of controls in respect of depreciation, revaluations and impairments as part of our walkthrough of the property, plant and equipment system.

In addition, we will undertake a range of substantive procedures including:

- substantive sample testing of depreciation, revaluations and impairments per the disclosure note to the financial statements;
- review and evaluation of the work of the in-house valuer, including the valuer's report; and
- consideration of regional valuation trends
- specific follow up of the areas subject to material error in previous years.

Key areas of management judgement

Other areas of estimation

Description of the area of judgement

The material areas of estimation – pension liability (IAS19) and property, plant and equipment – have been highlighted and will be addressed as significant risks. Other key areas of judgement include estimation and the assessment of potential liabilities as accruals, provisions and contingent liabilities. This year, we will review closely the new requirement to make provision for NNDR appeals following changes to the treatment of NNDR from 1 April 2013.

Our planned audit approach

We will review all areas of the accounts where material estimates are made, and assess these for reasonableness. In addition, we will undertake a range of substantive procedures including:

- We will test material provisions against accounting requirements (we note that currently there are no provisions in the Council's accounts); and
- We will assess whether the Council has properly disclosed material contingent liabilities.

04 Value for Money Conclusion

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:

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

We set out below the significant risks that we will address through our work.

VFM risks

Description of the risks

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.

How we will address these risks

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 services.

We will review the plans that are developed to deliver future savings and also plans to deliver improvements for the community, including:

- increased collaboration with North Yorkshire County Council
- the delivery of affordable housing through a housing trust
- the delivery of a new leisure centre.

05 Your audit team

Below are your audit team and their contact details.

Engagement Lead
(Director)

- Cameron Waddell
- Tel: 0191 383 6314
- Email: cameron.waddell@mazars.co.uk

Engagement Senior
Manager

- Gavin Barker
- Tel: 0191 561 1917 or 07896 684 771
- Email: gavin.barker@mazars.co.uk

Team Leader (Senior)

- Allison Kent
- Tel: 0191 383 6300
- Email: allison.kent@mazars.co.uk

06 Fees for audit and other services

Our audit fees for the audit of the financial statements and for any assurance or other services are outlined in the tables below.

Area of work	2013/14 Proposed Fee	2013/14 Scale Fee	2012/13 Actual Fee
Code audit work	£58,710	£58,710	£58,710
Certification work	£17,900	£17,900	£19,650
Total fee	£76,610	£76,610	£78,360

Non-audit services

To date, we are not proposing any non-audit work in 2013/14. We provided one non-audit service in the previous audit year.

Non-audit services	2013/14 Actual Fee	2012/13 Actual Fee
Financial guidance for the new housing trust	£0	£1,500

Appendix A – Independence

We are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the Auditing Practices Board's Ethical Standards. In addition we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

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, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team who are required to rotate off a client after a set number of years; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement lead.

We wish to confirm that in our professional judgement, as at the date of this document, we are independent and comply with UK regulatory and professional requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Cameron Waddell, Engagement Lead.

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.

No threats to our independence and associated safeguards have been identified.

Appendix B - 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. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and financial statements;
- 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 consider materiality whilst planning and performing our audit.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides 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 have set materiality at the planning stage at £882,000 with a clearly trivial threshold of £26,000 below which identified errors will not usually be reported. We have set lower materiality levels for the disclosure of officer remuneration and emoluments, members' allowances and the audit fee as we consider these items to be of specific interest to users of the accounts sufficient to warrant audit procedures which would not otherwise be applied based on the materiality level for the audit as a whole. 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 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 discuss with management any significant misstatements or anomalies that we identify during the course of the audit and we report in our Audit Completion Report all unadjusted misstatements we have identified other than those which are clearly trivial, and obtain written representation that explains why these remain unadjusted.

Appendix C – Key communication points

ISA 260 'Communication with Those Charged with Governance' and ISA 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' require us to communicate a number of points to you.

Relevant points that need to be communicated to you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present to the Audit Committee the following reports:

- our Audit Strategy Memorandum;
- our Audit Completion Report; and
- Annual Audit Letter.

These documents will be discussed with management prior to being presented to the Audit Committee and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- our responsibilities in relation to the audit of the financial statements;
- the planned scope and timing of the audit;
- significant audit risks and areas of management judgement;
- our independence;
- responsibilities for preventing and detecting errors;
- materiality; and
- fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- significant deficiencies in internal control;
- significant findings from the audit;
- significant matters discussed with management;
- our conclusions on the significant audit risks and areas of management judgement;
- unadjusted misstatements;
- management representation letter;
- our proposed draft audit report; and
- independence.

Appendix D – Forthcoming accounting and other issues

The 2013/14 CIPFA Code of Practice on Local Authority Accounting (the Code) has made several changes, of which you should be aware. Officers from the Council's finance function attended workshops that provided full details of the changes in the 2013/14 Code, as well as a forward look to potential future accounting changes that may be of relevance to the Council. If you require detailed information on any of these changes or any other emerging issues, please contact any member of the engagement team.

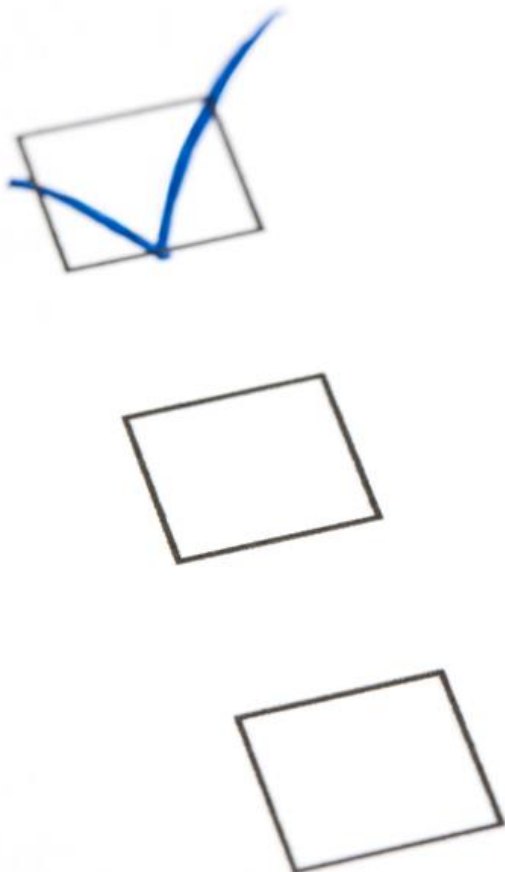
Forthcoming accounting issues

PFI/PPP arrangements	How this may affect the Council
The 2013/14 Code includes augmented provisions on service concession (PFI/PPP) arrangements. This clarifies that accounting requirements in respect of PFI assets under construction.	Potential for the recognition point for PFI assets (and associated liabilities) to be earlier than in previous years where the recognition criteria in section 4.1 of the Code have been met.
Employee benefits	How this may affect the Council
The Code includes changes as a result of the adoption of the amended IAS 19 Employee Benefits.	<p>The main potential impacts of the changes are:</p> <ul style="list-style-type: none"> • changes in terminology used for some entries in the Council's Comprehensive Income and Expenditure Statement and disclosure notes; • minor changes to the recognition point for termination benefits that may either delay or bring forward the recognition of expenses such as redundancy payments; • significant changes to the format and content of relevant disclosure notes; and • changes to the classification, recognition and measurement of post-employment benefits. <p>Where these changes have a material impact on the financial statements, it is likely the Council will need to restate their 2012/13 comparative entries.</p>
Business rates appeals	How this may affect the Council
As a result of the introduction of the business rates retention scheme from 1 April 2013, local authorities are now responsible for meeting a proportion of the costs of successful rating appeals from local businesses.	It is likely that the Council will recognise a provision in its financial statements to recognise the cost of funding future successful rating appeals by local businesses.

Selby District Council

Audit Progress Report

April 2014



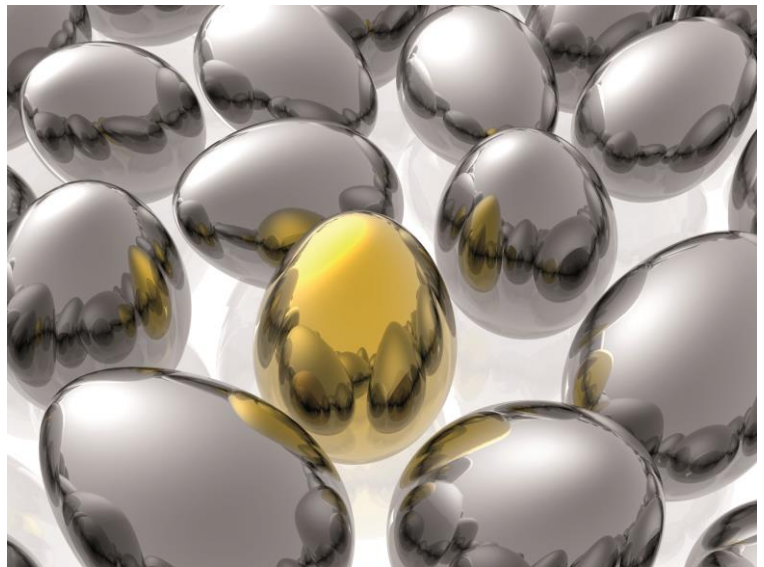
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- 01 Purpose of this paper
- 02 Summary of audit progress
- 03 Emerging issues and developments
- 04 Contact details

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

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01



Purpose of this paper

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

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

02

Summary of audit progress



In February 2014, Mazars provided a workshop for finance staff on accounting and auditing issues relating to the closedown and preparation of the 2013/14 statement of accounts. These workshops were well attended and well received by our clients. The Council's officers were represented at the workshop.

We have updated our assessment of the control environment and our fraud risk assessment and IT risk assessment. We have updated our documentation of the key financial systems and performed a walk through test of the key parts of each system. We have reviewed a range of other documentation of the Council's arrangement and met with key officers to discuss current issues and developments.

We have now completed our audit planning and our Audit Strategy Memorandum is also on the agenda for this meeting. This document sets out the risks we have identified for both the opinion on the financial statements and the value for money conclusion, and our overall approach to the audit.

We are now starting our detailed work.

03

Emerging issues and developments



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

- Auditing the Accounts 2012/13, Quality and timeliness of local public bodies' financial reporting
- Financial Statements: A Good Practice Guide for Local Authorities
- Protecting the Public Purse 2013
- Future of Local Audit: Consultation on Secondary Legislation, DCLG – Responses to the Consultation
- The Local Audit and Accountability Act 2014.

Emerging issues and developments

Issue / development	Implications
<p>Auditing the Accounts 2012/13, Quality and timeliness of local public bodies' financial reporting</p> <p>This Audit Commission report summarises the financial reporting outcomes for local authorities and other bodies within its regime. Audit opinions were issued at 99% of councils by 30 September 2013. The report names authorities that produced their accounts early and also names those where there were delays or non standard wording to the auditor's reports.</p>	<p>Selby District Council met all of the statutory deadlines and received an unqualified audit opinion on 27 September 2013.</p> <p>The report can be found at http://www.audit-commission.gov.uk/2013/12/commission-highlights-year-on-year-improvement-in-financial-reporting/</p>
<p>Financial Statements: A Good Practice Guide for Local Authorities</p> <p>This CIPFA report acknowledges that "local authority financial statements are complex, and readers can find it difficult to identify the information they need." The report highlights the role that councils can themselves play in de-cluttering the financial statements, and in presenting key information in a clear narrative that makes the statements more accessible.</p>	<p>This publication provides some ideas which could be considered in trying to make the published financial statements more informative and accessible to readers of the accounts.</p>

Emerging issues and developments

Issue / development	Implications
<p>Protecting the Public Purse 2013</p> <p>In our last Audit Progress Report, we highlighted the Audit Commission's annual report on fraud, published in November 2013. The Commission has now produced briefings for individual authorities based on its research.</p> <p>We have shared the briefing with the Executive Director s151 and with Internal Audit. We will discuss with them how best to present these findings and other issues in relation to fraud to a future meeting of the Audit Committee.</p>	<p>The briefing for Selby District Council does not highlight any major issues of concern in respect of the Council's detection of fraud.</p> <p>The national report can be found at http://www.audit-commission.gov.uk/2013/11/councils-find-178m-in-frauds-against-local-government-but-detection-rates-are-patchy/</p>

Emerging issues and developments

Issue / development	Implications
<p>Future of Local Audit: Consultation on Secondary Legislation, DCLG – Responses to the Consultation</p> <p>As discussed at the January 2014 Committee meeting, this consultation included whether the local authority accounts production timetable should be brought forward.</p> <p>The results of the consultation have now been published and the responses in relation to the accounts timetable are reproduced below.</p>	<p>If the accounts timetable is brought forward this would impact on the Authority’s accounts production processes.</p> <p>The responses to the consultation can be found at: https://www.gov.uk/government/consultations/future-of-local-audit-consultation-on-secondary-legislation</p>

5.12 Question 16 sought views on whether to bring forward the local government accounts timetable and what practical issues this change might raise. Many respondents provided detailed replies, and we are particularly grateful for the information on the practical implications of implementing such a change. A small

number of local authorities and accounting organisations either simply supported an advance of the timetable, or agreed in principle that it was desirable. But most respondents were opposed to a change, or argued that now was not an appropriate time. In many cases opposition was based on a view that the additional work involved in earlier publication could not be justified when public interest in the accounts was so limited and authorities were under financial pressure. Another concern raised was that earlier publication would be achieved at the expense of accuracy, unless additional resources could be devoted to the task.

5.13 A number of more specific practical issues were raised. Many respondents drew attention to the phasing of external audit work that is now possible, with NHS audits undertaken first and then local authority audits. An advance of the local government timetable would compress the auditors’ work programme, resulting in extra costs that might be passed on in higher audit fees. Some respondents made a link with the issue of simplification of the accounts raised in responses to question 15 which might assist an advance in the timetable. Reference was also made to some significant accounting developments in prospect in the next few years, such as changes in the valuation of transport infrastructure assets, which would be difficult to achieve when an authority was adjusting to a tighter timetable. Respondents supported the proposal to give notice of a change at least 12 months before the beginning of the year, in some cases recommending a longer period.

Source: DCLG, Consultation on secondary legislation, summary of responses, 10 March 2014

Emerging issues and developments

Issue / development	Implications
<p>The Local Audit and Accountability Act 2014 On 30 January 2014 the Local Audit and Accountability Act 2014 (the Act) received Royal Assent.</p> <p>The Act sets out fundamental reforms to the local audit regime. The Audit Commission will close on 31 March 2015 and a residuary body will oversee the audit contracts let by the Commission until they expire.</p>	<p>A summary guide for Audit Committee members is attached on the next two pages.</p>

The Local Audit and Accountability Act 2014

A summary guide for Audit Committee members

Introduction

On 30th January 2014 the Local Audit and Accountability Act 2014 (the Act) received Royal Assent.

The Act sets out fundamental reforms to the local audit regime. The Audit Commission will close on 31 March 2015 and a residuary body will oversee the audit contracts let by the Commission until they expire.

The new responsibility of local public bodies to appoint their own auditor will come into effect on the expiry of the existing Audit Commission contracts, and those contracts currently out to tender. It has yet to be determined whether these new contracts will be for 2 or 5 years, so the new arrangements will take effect from either the 2017/18 accounts or the 2020/21 accounts.

Although the Act provides an overall framework for the new local audit regime, much of the detail underpinning these fundamental changes will not be provided until the Secretary of State makes regulations to specify certain provisions.

In addition to changes affecting audit, the Act enables the Secretary of State to direct bodies to comply with the code of practice on local authority publicity, something bodies were previously required to have regard to. It also extends the council tax referendum provisions introduced in the Localism Act. This leaflet focuses on the audit changes.

The purpose of this briefing is to provide members with a summary of the principal provisions of the Act and to give an initial view of the impact that the Act may have on the audit of local government bodies.

What are the key provisions?

Audit appointments

The Act sets out a new framework which requires local public bodies to appoint their own auditors. Appointments for any given financial year will have to be made by 31 December of the preceding financial year.

Bodies will be required to appoint their auditors at least once every 5 years and will be required to publish information about the appointment within 28 days of making the appointment.

Independent Audit Panels

With the exception of chief constables, relevant authorities are required to establish an 'Independent Audit Panel'. It will be the responsibility of the Panel to advise the body on the selection and appointment of an auditor. The Panel will also be required to monitor and maintain the independence of the auditor.

At some point in the future, the Secretary of State may make regulations that provide additional guidance on the role of the Panel or impose further requirements that are not contained within the Act itself.

The Act stipulates that Panels must:

- consist of a majority of independent members (or wholly of independent members); and
- be chaired by an independent member.

The Act provides further details on the criteria of an independent member. You are unlikely to qualify as an independent member if you have:

- been a recent member or officer of the body;
- been a recent member or officer of an entity connected with the body; or
- a relative who is a member or officer of the body.

Collective Procurement

The Act allows bodies to procure audit services collectively by enabling the Secretary of State to make provision for the appointment of an auditor by an 'appointing person'. This is in response to the view that collective procurement may be more cost effective and efficient for bodies.

Auditor eligibility

Schedule 5 to the Act provides details on who can act as a local auditor. It states that individuals or firms that were qualified to act as appointed auditors under the Audit Commission Act 1998 will continue to hold the relevant qualifications required to carry out local audits under the Act.

The Secretary of State will have the ability to make regulations that change who can be considered eligible as a local auditor.

Auditor responsibility

The primary functions of the auditor will be largely unchanged, i.e. provision of:

- an opinion on the accounts (i.e. the accounts present a true and fair view and have been produced in accordance with proper practice); and
- a conclusion that the body has arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Joint audits

The Act allows bodies to appoint joint auditors however it does not explain how this will work in practice. It may be possible, for example, for one auditor to carry out the value for money conclusion work and another auditor complete the audit of the statement of accounts.

Role of the National Audit Office (NAO) and other bodies

The Act outlines how Audit Commission functions will be transferred to other bodies:

- the NAO will maintain a Code of Audit Practice and supporting guidance for auditors;
- the NAO will also carry out thematic value for money examinations; and
- the Cabinet Office will be responsible for data matching including the National Fraud Initiative.

Rights of electors

The Act adopts the majority of the provisions of the Audit Commission Act 1998 in respect of the rights of the public to:

- inspect the statement of accounts;
- inspect documents and records which relate to the year of audit; and
- make an objection to the local auditor.

Mazars and local audit

Mazars is committed to the provision of high-quality, specialised local audit and advisory services to local authorities, pension funds, blue-light organisations and health bodies. Our aim is to be the auditor of choice for public service bodies.

Please get in touch

This briefing provides a summary of the impact of the Local Audit and Accountability Act. If you would like further information on how the Act is likely to affect your body and how we can support you in your transition to the new arrangements for public audit, please contact one of the team.

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04

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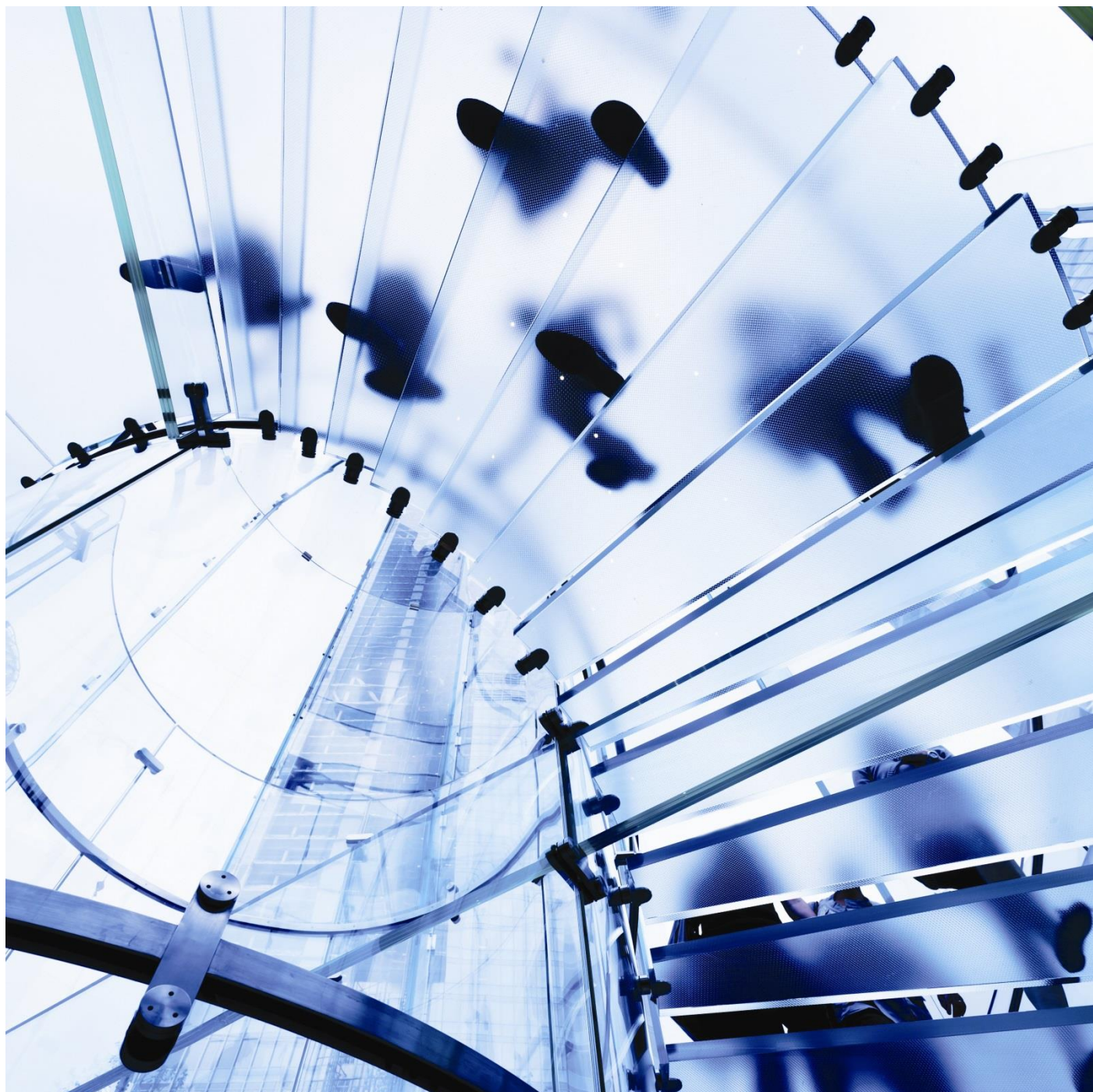
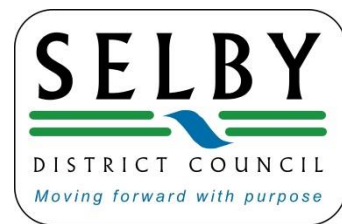
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Selby District Council

Certification of claims and returns

Work Plan 2013/14



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01

Introduction

Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information. The way in which we certify a claim or return is dependent on whether it is within the Audit Commission Regime.

Claims and returns within the Audit Commission regime

The Audit Commission makes certification arrangements with grant-paying bodies, including confirming which claims and returns require certification and issuing certification instructions. These instructions are tailored to each scheme and set out the specific procedures to be applied in examining the claim or return. The Audit Commission agrees the deadline for submission of each claim by authorities and the deadline for certification by auditors.

Selby District Council receives more than £22 million funding from various grant-paying government departments. These departments attach conditions and restrictions to these grants which the Council must meet otherwise funding may be withdrawn or clawed-back.

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

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

As the Council's appointed external auditor, we undertake grant certification work acting as an agent of the Audit Commission.

Claims and returns outside the Audit Commission regime

From time to time, we can also be requested to provide reports on claims and returns which do not fall within the Audit Commission regime. Where this is the case we are not provided with certification instructions. Instead, engagement terms are agreed with the Council for each claim or return before work commences. The engagement terms include the work to be undertaken which is based on the grant conditions specified by the grant paying body. At the conclusion of our work we provide a report which details the tests undertaken, and the results of that testing.

We have not yet been requested by the Council to carry out this type of work.

02

Certification arrangements (claims within Audit Commission regime)

The Audit Commission's certification arrangements are designed to be proportionate to the claim or return. The arrangements for 2013/14 are:

- For claims and returns below £125,000 certification is not required by us, regardless of any statutory certification requirement or any certification requirement set out in grant terms and conditions.
- For claims and returns between £125,000 and £500,000, we are required to perform limited tests to agree entries on the claim or return to underlying records, but are not required to undertake any testing of the eligibility of expenditure or data.
- For claims and returns over £500,000, we are required to test the the control environment the Council has put in place for preparing the claim and decide whether we can place reliance on these arrangements. Where we can place reliance on the Council's arrangements we undertake limited testing to ensure that entries on the claim form agree with underlying records but do not undertake any testing of the eligibility of expenditure or data. Where reliance is not placed on the control environment, we are required to undertake all the tests in the relevant certification instruction and use our assessment of the control environment to inform decisions on the level of testing required.

In determining whether we place reliance on the control environment, we consider other work we have undertaken on the Council's general ledger and any other relevant systems, and make appropriate use of relevant internal audit work where possible.

03

Role of all parties

Claims and returns within the Audit Commission regime

The table below summarises the respective roles and responsibilities of the parties involved in the certification process.

Party	Role and Responsibility
Grant paying body	Sets conditions of grant and deadline for submission for pre-certified and certified claims.
Audit Commission	Issues certification instructions for auditor work.
Council	Submits claims for certification to the appointed auditor within grant paying body submission deadlines.
Appointed Auditor	Certifies claims in accordance with Audit Commission certification instructions and within certification deadlines.

Claims and returns outside the Audit Commission regime

The table below summarises the respective roles and responsibilities of the parties involved in the reporting process.

Party	Role and Responsibility
Grant paying body	Sets conditions of grant and deadline for submission for pre-certified and certified claims.
Council	Submits claims for review to the reporting accountant within grant paying body submission deadlines.
Reporting Accountant	Reviews claims in line with grant conditions and within reporting deadlines.

04

Role of the Council

The Council's role for all claims and returns is set out in more detail below:

- The Executive Director s151 is responsible for ensuring that supporting accounting records are sufficient to document the transactions for which claims are made. These records should be maintained in accordance with proper practices and kept up to date, including records of income and expenditure in relation to claims and returns
- The Council should ascertain the requirements of schemes at an early stage to allow those responsible for incurring eligible expenditure to assess whether it falls within the scheme rules and to advise those responsible for compiling claims and returns to confirm any entitlement
- The Council should ensure all deadlines for interim and final claims are met to avoid sanctions and penalties from grant paying bodies
- Grant-paying bodies usually require the Council's certificate to be given by an appropriate senior officer. This is typically the Executive Director s151 or an officer authorised by written delegated powers
- The Council should monitor arrangements with any third parties involved in the certification process.

05

Managing the process - Our Role

Certification of claims and returns within the Audit Commission regime

- We intend to certify all claims and returns in accordance with the deadlines set by the Audit Commission. If we receive any claims after the Council's submission deadline, we will endeavour to certify them within the Audit Commission deadline but, where this is not possible, within three months from receipt.
- A copy of each certified claim or return will be sent to the relevant named contact when the certification process is complete, along with a copy of the qualification letter, where applicable.
- Copies of the certification instructions can be provided on request for any new claims or returns.
- We expect to complete the certification of all claims by late 2014 and will issue a grant certification report highlighting any issues that need to be brought to the Council's attention by the end of February 2015.

Reporting on claims and returns outside the Audit Commission regime

- Where commissioned to undertake this work by the Council, we will report on all claims and returns in accordance with the deadlines set by the grant paying bodies. If we receive any claims after the grant paying bodies' submission deadline set for the Council, we will endeavour to report within the deadline set for the reporting accountant but, where this is not possible, within three months from receipt of the claim.
- Depending on the nature of the scheme, our report may be to the Council (for forwarding to the grant paying body) or for the grant paying body directly.
- A copy of each report will be sent to the relevant named contact when reporting process is complete.

06

Reporting

Claims and returns within the Audit Commission regime

On completion of the specified work we issue a certificate, the wording of which depends on the level of work we have performed on each claim. The certificate states whether the claim has been certified either

- without qualification
- without qualification following agreed amendment by the Council; or
- with a qualification letter.

Where a claim is qualified because the Council has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the Council or claw back funding which has already been provided or has not been returned.

In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which may impact on the certification fee.

Claims and returns outside the Audit Commission regime

On completion of the work agreed with the Council in the engagement terms we issue an accountant's report, the wording of which depends on the work we have performed on each claim.

Where issues of non compliance with grant terms and conditions have been identified these are highlighted in our report. As for claims within the Audit Commission regime, this could result in retention or clawback of funding.

Where issues are identified or amendments are required this increases the time taken to review the claim, which may result in additional fees being charged.

07

Fees

Claims and returns within the Audit Commission regime

The Audit Commission sets an indicative scale fee for grant claim certification. The 2013/14 fee is based on 2011/12 actual certification fees for each Council, adjusted for savings arising from the Commission's outsourcing of work.

The claims and returns indicative scale fee for 2013/14 is £17,900:

- Housing and Council Tax Benefit subsidy (BEN01) £17,535; and
- Pooling of housing capital receipts return (CFB06) £365.

NNDR (LA01) has been removed from the Commission's certification regime for 2013/14.

These fees are based on the following assumptions:

- there will be no change in the scope of our work due to the control environment in place during the year
- the Council provides adequate working papers to support each entry in the claim/return
- the Council's staff are available to deal with our queries in a timely manner and provide such explanations and supporting evidence necessary to support entries.

Where there is a variation from these assumptions, for example due to changes in the claims being audited, we will discuss a variation to the indicative scale fee with the Council and the Audit Commission.

If an additional claim or return under the Audit Commission regime is required in 2013/14 to those set out above, this will be at an additional fee to be agreed with the Council and also requiring approval by the Audit Commission.

Appendix A sets out the claims we expect to receive in 2013/14, key deadlines and the outcomes from last year's audit.

Claims and returns outside the Audit Commission regime

Fees for claims and returns outside of the Audit Commission regime will be based on an estimate of the hours taken to complete the work. This takes into consideration such factors as the complexity and value of the claim, and any issues identified in previous years. The fees are subject to agreement with the Council.

As noted earlier, we have not yet been requested by the Council to carry out this type of work.

07

Contact details

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Appendix A

Summary of expected claims & returns for the year ended 31 March 2014

Within the Audit Commission Regime

Claim or return	Authority deadline	Certification deadline	Claim Certified in prior year	Prior year outcome
BEN01 Housing and Council Tax Benefits Subsidy	30/4/14	30/11/14	Yes	Claim amended and qualified
CFB06 Pooling of Housing Capital Receipts	27/6/13	26/9/14	Yes	Claim amended

Outside the Audit Commission Regime

Claim or return	Authority deadline	Reporting deadline	Claim Certified in prior year	Prior year outcome
None expected at present	n/a	n/a	n/a	n/a



Report Reference Number: A/13/25

Agenda Item No: 7

To: Audit Committee
Date: 16 April 2014
Author: John Barnett; Audit Manager; VNY
Lead Officer: Karen Iveson; Executive Director (s151 Officer)

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

Summary: To review progress on the Annual Governance Statement (AGS) 2012/13 Action Plan approved in September 2013.

Recommendation:

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

Reasons for recommendation:

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

1. Introduction and background

- 1.1 Good governance is important to all involved in local government; however, it is a key responsibility of the Leader of the Council and of the Chief Executive.
- 1.2 The preparation and publication of an annual governance statement in accordance with the Cipfa/SOLACE Framework was necessary to meet the statutory requirements set out in Regulation 4(2) of the

Accounts and Audit Regulations which requires authorities to “conduct a review at least once in a year of the effectiveness of its system of internal control” and to prepare a statement on internal control “in accordance with proper practices”.

- 1.3 To meet the requirement to review the AGS an Action Plan has been agreed and is subject to half yearly review by the Audit Committee.

2. The Report

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

3. Legal/Financial Controls and other Policy matters

3.1. Legal Issues

- (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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John.barnett@veritau.co.uk
01757/292281

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

Appendix A

Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
2012/13	<p>ICT 2011/12.</p> <p>Risks have been identified around disaster recovery, security and back-up arrangements. As IT is fundamental to the Council achieving its goals it is important that systems and processes are robust.</p>	Internal Audit report.	The IT Manager will ensure that agreed actions are implemented.	IT Manager	<p>May 2013</p> <p>Management have formulated and tested a Disaster Recovery Plan with Craven DC and are working towards an approved Business Continuity Plan – deadline August 2013.</p> <p><i>A Business Impact Assessment was completed in July 2013.</i></p> <p><i>DR now completed and working, with Craven. April 2014.</i></p> <p><i>Business Continuity – Action Plans have been drawn up by Business Units and are currently being reviewed. April 2014.</i></p>

Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
2012/13	Council Tax Billing – incorrect billing for 2013/14	Management	<p>Management have issued corrected bills to households.</p> <p>Management have identified the reasons for the error and have introduced further controls to ensure that the errors are not repeated.</p>	Director/Business Manager	<p>May 2013</p> <p>Management have identified the control failure and taken steps to introduce additional controls to prevent a reoccurrence of the situation.</p>

To: Audit Committee
Date: 16 April 2014
Author: John Barnett; Audit Manager; VNY
Lead Officer: Karen Iveson; Executive Director (s151 Officer)

Title: Internal Audit Progress Report 2013/14

Summary: The purpose of the report is to present the Internal Audit Progress Report for the period April 2013 to March 2014, inclusive.

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.

1. Introduction and background

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

2. The Report

- 2.1 Within the report there is a summary of progress made against the plan and a summary of the audit opinions for the individual audits completed thus far.
- 2.2 The work of internal audit is governed by the Accounts and Audit (England) Regulations 2011 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS) and

CIPFA guidance on the application of those standards in Local Government. In accordance with the standards, the Head of Internal Audit is required to report on the results of audit work undertaken, to this Committee.

- 2.3 There is no direct linkage to any of the Council's Priorities, as internal audit is a support service, which provides internal control and activity assurance to Directors on the operation of their services, and specifically to the Council's S151 Officer on financial systems.

3. Legal/Financial Controls and other Policy matters

3.1. Legal Issues

- (a.) None.

3.2. Financial Issues

- (a.) None.

4. Conclusion

- 4.1 In the period between April and March, inclusive, we have completed **12** out of **16** internal audit reviews to final report stage. In addition, draft reports for **2** further reviews have been issued and **2** other audits are in progress. This represents **75%** of the plan delivered to final report stage and **88%** including 'draft' reports.

5. Background Documents

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Appendices: - Internal Audit Progress Report 2013/2014 - Veritau



Selby District Council
Internal Audit Progress Report 2013/14
Period to 31 March 2014

Audits Completed to 31 March 2014	
High Assurance	4
Substantial Assurance	4
Moderate Assurance	3
Limited Assurance	1
No Assurance	0

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

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

Date: 16 April 2014

Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards. In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit is required to regularly report progress in delivery of the Internal Audit Plan to the Audit Committee/Access Selby Board and to identify any emerging issues which need to be brought to the attention of the Committee/Board.
- 2 Members approved the Annual Internal Audit Plan 2013/14 at their meeting on the 17th April 2013. The total number of planned audit days for 2013/14 is 355. The performance target for Veritau is to deliver 93% of the agreed Audit Plan by the end of the year. This report summarises progress made in delivering the agreed plan.

Internal Audit Work Carried Out 2013/14

- 3 A summary of the internal audit reports issued is attached at **Appendix A**. This is the third progress report to be received by the committee during 2013/14.
- 3.1 Veritau officers are involved in a number of other areas relevant to corporate matters:
 - **Contractor Assessment;** this work involves supporting the assurance process by using financial reports obtained from Dunn & Bradstreet (rating agency) in order to confirm the financial robustness of contractors.
 - **Risk Management;** Veritau facilitate the Council's Risk Management process and advise Access Selby on their processes.
 - **Systems Development;** Internal Audit attend development group meetings in order to ensure that where there are proposed changes and new ways of delivering services, that the control environment is not overlooked which could lead to the Council being exposed.
 - **Investigations;** Special investigations into specific sensitive issues.
- 3.2 As with previous audit reports an overall opinion has been given for each of the specific systems under review. The opinion given has been based on an assessment of the risks associated with any weaknesses in controls identified.
- 3.3 The opinions used by Veritau are provided for the benefit of Members below:

High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Moderate Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.

Limited Assurance

Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.

No Assurance

Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

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

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

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

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

3.5 It is important that agreed actions are formally followed-up to ensure that they have been implemented. This is carried out throughout the year with appropriate testing being completed, the results shown in the Summary of Key Issues – Management Actions Agreed, column below.

3.6 In the period between April and March, inclusive, we have completed **12** out of **16** internal audit reviews to final report stage. In addition, draft reports for **2** further reviews have been issued and **2** other audits are in progress. This represents **75%** of the plan delivered to final report stage and **88%** including 'draft' reports.

Table of 2013/14 audit assignments completed

Audit	Status	Audit Committee
<i>Corporate Risk Register/Access Selby RR</i>		
Affordable Housing	Completed ~ High Assurance	January 2014
Savings Delivery	Draft Report	
Organisational Development Strategy	Draft Report	
Human Resources	Completed ~ Moderate Assurance	Sept 2013
Data Quality	Completed ~ High Assurance	January 2014
Land Contamination	Completed ~ High Assurance	January 2014
LDF/Local Plan – New Homes Bonus	Completed ~ Substantial Assurance	April 2014
Core/Access Selby SLA	In progress	
Business Intelligence – postponed to 14/15	N/A	
Performance Framework - cancelled	N/A	
<i>Fundamental/Material Systems</i>		
Council Tax/NNDR	In progress	
Benefits	Completed ~ High Assurance	April 2014
Creditors	Completed ~ Substantial Assurance	April 2014
General Ledger	Completed ~ Moderate Assurance	April 2014
<i>Regularity Audits</i>		
Information Governance & Data Protection	Completed ~ Limited Assurance	April 2014
Council House Sales – Right To Buy	Completed ~ Substantial Assurance	Sept 2013
<i>Technical/Project Audits</i>		
ICT – Advice, Policy Review	N/A	
Programme for Growth – advice/consult	Ongoing	
Leisure Centre Rebuild/Village – advice/consult	Ongoing	
Contract - Tendering	Completed ~ Substantial Assurance	April 2014
Housing Trust – advice/consult	Ongoing	
Business Transformation – advice/consult	Ongoing	
NYCC Shared Services – advice /consult	Ongoing	
<i>Contingency</i>		
- Licensing Charges	Completed ~ Moderate Assurance	January 2014
- Council Tax Billing 13/14	Completed	Separate report June 2013
<i>Follow Ups:</i>	See below	

Summary of Key Issues from audits completed to 31 March 2014; previously not reported

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
New Homes Bonus Grant	Substantial Assurance	The purpose of the audit is to ensure that the key risks relating to the achievement of the local plan targets for increasing the tax base and thereby maximising the New Homes Bonus, are effective.	23 January 2014	<p>Strengths It was found that the arrangements for managing risk were good and that an effective control environment appears to be in operation.</p> <p>Key Weaknesses The contract with the consultants (for the identification of empty homes brought back into use) has now been cancelled due to escalating cost said to be outweighing the perceived benefit. It is unclear how the process will be managed in future. Currently it is the responsibility of the CSOs to visit new and empty properties to confirm that they are still unoccupied although they are aware that "empty homes" visits have not been kept up to date and are in need of more focus in future.</p>	The outcome of the contract with the consultants will be reviewed and lessons learned will be used to draft a new process for the identification of empty homes and those that have been brought back into use. <i>Due 28/2/14</i>
Benefits	High Assurance	A review of the key risks/controls involved in awarding and paying benefits.	24 March 2014	<p>Strengths The Housing Benefit process is effectively managed and efficiently run from the onset and throughout. Day-to-day running of the process is carried out by a competent</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
				<p>and experienced officer and overseen by a first-rate lead officer.</p> <p>The Benefits & Taxation department is notably supported by the Data & Systems department. Once again, the knowledge and meticulousness provided by this team is superb.</p> <p>Key Weaknesses There were no key weaknesses.</p>	
Creditors	Substantial Assurance	To review the key risks/controls surrounding the payment of Creditors invoices.	10 February 2014	<p>Strengths It was found that the arrangements for managing risk were good and that an effective control environment appears to be in operation.</p> <p>Key Weaknesses Segregation of duties has been implemented. New Suppliers are set up by Business Support Assistants. A Business Support Supervisor then checks a sample each month to ensure they are genuine. During July and August, the supervisor was absent, and appropriate checks were not made. 44% of the new suppliers between July 2013 and December 2013 were in</p>	<p>A sample of 5 amended suppliers will be checked by a supervisor each month in conjunction with the new supplier reports. Officers to confirm any changes in details, particularly bank details, with the supplier using the contact details already held on file. Any notification of changes (letter or email) to be attached to the supplier's file on COA using the paperclip function.</p> <p><i>Immediate</i></p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
				this time period.	<p>A supervisor will select a sample of 10% during the months of absence (July and August), to check the new supplier details are genuine. <i>Due 28/2/14</i></p> <p>Other supervisors to be trained so that they can fulfill this role during periods of absence by the regular checker in the future. <i>Due 28/2/14</i></p>
General Ledger	Moderate Assurance	A limited review of the budget setting, monitoring processes and reconciliations with feeder systems.	11 March 2014	<p>Strengths There is an experienced, small team of finance officers meeting the challenges. An acceptable control environment is in operation but there are a number of improvements that could be made.</p> <p>Key Weaknesses For the Income Bank account some historic items were seen to be outstanding.</p> <p>Many System Rec's have been returned to Finance for review but some sections notably CT/NNDR (monthly)</p>	<p>Consolidated bank account reconciliation to be completed quarterly. Errors on the Income Bank Account to be resolved or written off as appropriate following investigation. <i>Due 31/3/14</i></p> <p>A full review will be undertaken of all system reconciliations to ensure they are still relevant and where this is the case sections</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
				& NYBCP (quarterly) have not been submitting them regularly.	to be prompted to return these to Finance section for confirmation at an early stage. <i>Due 31/3/14</i>
Information Governance/Data Protection	Limited Assurance	To ensure compliance with the Data Protection Act 1998 and in particular, with the 'HMG Information Assurance Maturity Model and Assessment Framework (IAMM)'.	12 March 2014	<p>Strengths Procedures for controlling confidential waste are adequate, however...</p> <p>Key Weaknesses At the time of the audit, the ICT policies relating to information management and data protection were out of date and a number of policies could not be provided.</p> <p>The Information Commissioners Office and the HMG Information Assurance Maturity model (IAMM) specifically expect high level commitment to Information governance to</p>	<p>Review current systems for IT Security and write a policy based on the current position.</p> <p>Review draft policy and identify any gaps/omissions.</p> <p>Agree a monitoring process.</p> <p>Ensure that risk of Members IT provision is included as part of the IT Security Policy.</p> <p>Review existing data sharing arrangements and identify where work needed. Ensure confidentiality is reflected in contractual arrangements. <i>Due 30/5/14</i></p> <p>Report to the Executive to appoint SIRO and IAOs and formally approve acceptable usage policy and data breach policy. Executive Director (KI) to be appointed as SIRO.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
				<p>be demonstrated, and regard this as a pre-requisite to an effective system; at Selby District Council this is not currently the case, as Members are not currently involved in ensuring effective Information Governance. Responsibility for Information governance is not included in the duties of the Audit Committee and there is no system for regularly reporting at Board level.</p> <p>In addition, it should be ensured that an appropriately trained Senior Information Risk Officer (SIRO) is allocated responsibility for Information Governance, with a delegated lead officer to assist in each Directorate, and information asset owners should be named for every information asset identified. This should be clearly stated in all policies.</p> <p>There is no Information Governance Strategy in place at Selby District Council to outline the Councils obligation in relation to information governance (Data Protection and Freedom of</p>	<p>Ensure Audit Committee TOR include info governance and provide briefing for the Committee on the monitoring role.</p> <p>Schedule into Audit Committee work programme.</p> <p>Add IG to the corporate risk register (Access Selby Board and BMG/OMG to be aware of any concerns via risk register). <i>Due 30/4/14</i></p> <p>Obtain draft charter from Veritau and review and adapt for SDC. <i>Due 30/4/14</i></p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
				<p>Information) and how this will be achieved.</p> <p>There has been little training for officers and Members.</p> <p>There is no written policy or procedure in place for staff to refer to when reporting a breach of data protection to management.</p>	<p>Member Briefing Session (Audit Committee Members encouraged to attend).</p> <p>Awareness Campaign – use HR and Communications Teams to put out messages in newsletters and on Screen.</p> <p>Provide Briefing Script and posters to Lead Officers in OMG meeting and request cascade of briefing through training hour.</p> <p>Training for senior management to be agreed and delivered.</p> <p>IAO training to be agreed and delivered.</p> <p>Review job description mandatory requirements and add DP/IG to induction process. <i>Due March to August 2014</i></p> <p>Existing DP Breach policy in draft can be incorporated into report to the Executive.</p> <p>IAO assurance process to be agreed and covered in training for IAOs.</p> <p>Schedule annual report to SIRO – report then to be considered by Audit Committee.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
				Members do not have access to secure IT equipment needed to allow them access to Selby DC systems. As a result, e-mails are redirected to personal e-mail addresses and risk stored either in the cloud or on unencrypted, privately owned lap tops.	<i>Due April to October 2014</i> Implementation of pilot project to investigate and roll out use of encrypted hardware for use by members. <i>Due April to October 2014</i>
Contract Audit	Substantial Assurance	To provide assurance that procurement procedures are robust and comply with appropriate legislation.	5 March 2014	<p>Strengths It was found that the arrangements for managing risk were good and that an effective control environment appears to be in operation.</p> <p>Key Weaknesses The constitution includes wording that should be used in the OJEU notice for a framework agreement. In one contract it was found that although similar wording has been used, it is not the specific wording required.</p> <p>CCTV - the contract is still with Legal awaiting signature, despite the contract starting in April 2013.</p>	<p>Comment noted for any future framework procurements where the Council is the lead authority the exact rather than similar wording will be used. <i>Immediate</i></p> <p>Legal services have advised that the CCTV maintenance contract will be signed and sealed this week. With regard to the CCTV monitoring contract the documents were sent to the contractor in November and returned in December with an</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
					error. Legal services will follow up and advise when the contract is signed and sealed. <i>Due 31/3/14</i>

Summary of Key Issues from audits completed and previously reported

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

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

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

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

To: Audit Committee
Date: 16 April 2014
Author: John Barnett; Audit Manager; VNY
Lead Officer: Karen Iveson; Executive Director (s151 Officer)

Title: Internal Audit Charter

Summary: The purpose of the report is to present the Internal Audit Charter.

Recommendations:

It is recommended that the attached report be approved.

Reasons for recommendation

To enable the committee to fulfil its responsibilities for Internal Audit.

1. Introduction and background

1.1. The Accounts and Audit Regulations 2011 require all Councils to provide an adequate and effective Internal Audit function. This is further expanded upon in the Public Sector Internal Audit Standards (mandatory for all public sector bodies from 1 April 2013), and the Local Government Application Note issued by CIPFA and the CIAA.

2. The Report

2.1 The new Public Sector Internal Audit Standards (PSIAS) require the Council to adopt an audit charter setting out the purpose, authority and responsibility of internal audit. Prior to April 2013, the Council had set its requirements for internal audit in terms of reference. These were in line with the former standards set by CIPFA in the Code of Practice for Internal Audit in Local Government in England and Wales (2006). The new PSIAS require that the Council adopts an internal audit charter instead. The purpose of the charter is broadly similar to the terms of reference although some of the detail required is different. For example, the new standards are more explicit about how the Head of Internal Audit reports to the "Board" (represented by the Audit Committee/Access Selby Board). The proposed audit

charter is attached at Annex 1. This has been prepared in accordance with the PSIAS and additional guidance from CIPFA.

3. Legal/Financial Controls and other Policy matters

3.1. Legal Issues

(a.) None.

3.2. Financial Issues

(a.) None.

4. Conclusion

4.1 Having regard to this report, the proposed Internal Audit Charter should give sufficient assurance to the Council that the internal audit service delivered by Veritau will comply with the revised standards.

5. Background Documents

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Appendices: - Internal Audit Charter



Selby District Council

Internal Audit Charter

16 April 2014

1 Introduction

- 1.1 There is a statutory duty on the Council to maintain an adequate and effective internal audit of its accounting records and of its system of internal control. The Accounts and Audit (England) Regulations 2011 also require that internal audit is undertaken in accordance with proper practices. The Chartered Institute of Public Finance and Accountancy (CIPFA) is responsible for setting standards for proper practice for local government internal audit in England.
- 1.2 From 1 April 2013 CIPFA adopted new Public Sector Internal Audit Standards (PSIAS)¹ compliant with the Institute of Internal Auditors' (IIA) International Standards. The PSIAS and CIPFA's local government application note for the standards represent proper practice for internal audit in local government. This charter sets out how internal audit at Selby District Council will be provided in accordance with this proper practice.
- 1.3 This charter should be read in the context of the wider legal and policy framework which sets requirements and standards for internal audit, including the Accounts and Audit Regulations, the PSIAS and application note, and the Council's constitution, regulations and governance arrangements.

2 Definitions

- 2.1 The standards include reference to the roles and responsibilities of the "board" and "senior management". Each organisation is required to define these terms in the context of its own governance arrangements. For the purposes of the PSIAS these terms are defined as follows at Selby District Council.

"Board" – the Audit Committee/Access Selby Board fulfils the responsibilities of the board, in relation to internal audit standards.

"Senior Management" – in the majority of cases, the term senior management in the PSIAS should be taken to refer to the Executive Director in her role as s151 officer. This includes all functions relating directly to overseeing the work of internal audit. In addition, senior management may also refer to any other director of the Council individually (including the Chief Executive) or collectively as Corporate Management Team (CMT) in relation to:

- having direct and unrestricted access for reporting purposes
- consulting on risks affecting the Council for audit planning purposes
- approving the release of information arising from an audit to any third party.

¹ The PSIAS were adopted jointly by relevant internal audit standard setters across the public sector.

- 2.2 The standards also refer to the “chief audit executive”. This is taken to be the Head of Internal Audit (Veritau).

3 Application of the standards

- 3.1 The PSIAS defines internal audit as follows.

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

- 3.2 The Council acknowledges the mandatory nature of this definition and confirms that it reflects the purpose of internal audit in Selby. The Council also requires that the service be undertaken in accordance with the code of ethics and standards set out in the PSIAS.

4 Scope of internal audit activities

- 4.1 The scope of internal audit work will encompass the Council’s entire control environment², comprising its systems of governance, risk management, and control.
- 4.2 The scope of audit work also extends to services provided through partnership arrangements, irrespective of what legal standing or particular form these may take. The Head of Internal Audit, in consultation with all relevant parties and taking account of audit risk assessment processes, will determine what work will be carried out by the internal audit service, and what reliance may be placed on the work of other auditors.

5 Responsibilities and objectives

- 5.1 The Head of Internal Audit is required to provide an annual report to the Audit Committee/Access Selby Board. The report will be used by the Committee/Board to inform its consideration of the Council’s annual governance statement. The report will include:
- the Head of Internal Audit’s opinion on the adequacy and effectiveness of the Council’s framework of governance, risk management, and control
 - any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
 - any particular control weakness judged to be relevant to the preparation of the annual governance statement

² For example the work of internal audit is not limited to the review of financial controls only.

- a summary of work undertaken to support the opinion including any reliance placed on the work of other assurance bodies
- an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme
- a statement on conformance with the PSIAS.

5.2 To support the opinion the Head of Internal Audit will ensure that an appropriate programme of audit work is undertaken. In determining what work to undertake the service should:

- adopt an overall strategy setting out how the service will be delivered in accordance with this Charter
- draw up an indicative risk based audit plan on an annual basis which takes account of the requirements of the Charter, the strategy, and proper practice.

5.3 In undertaking this work, responsibilities of the internal audit service will include:

- providing assurance to the board and senior management on the effective operation of governance arrangements and the internal control environment operating at the Council
- objectively examining, evaluating and reporting on the probity, legality and value for money of the Council's arrangements for service delivery
- reviewing the Council's financial arrangements to ensure that proper accounting controls, systems and procedures are maintained and, where necessary, for making recommendations for improvement
- helping to secure the effective operation of proper controls to minimise the risk of loss, the inefficient use of resources and the potential for fraud and other wrongdoing
- acting as a means of deterring all fraudulent activity, corruption and other wrongdoing; this includes conducting investigations into matters referred by members, officers, and members of the public and reporting findings to directors and members as appropriate for action
- advising the Council on relevant counter fraud and corruption policies and measures.

5.4 The Head of Internal Audit will ensure that the service is provided in accordance with proper practice as set out above and in accordance with any other relevant standards – for example Council policy and legal or professional standards and guidance.

5.5 In undertaking their work, internal auditors should have regard to:

- the code of ethics in the PSIAS³
- the codes of any professional bodies of which they are members
- standards of conduct expected by the Council
- the Committee on Standards in Public Life's *Seven Principles of Public Life*.

6 Organisational independence

6.1 It is the responsibility of directors and service managers to maintain effective systems of risk management, internal control, and governance. Auditors will have no responsibility for the implementation or operation of systems of control and will remain sufficiently independent of the activities audited to enable them to exercise objective professional judgement.

6.2 Audit advice and recommendations will be made without prejudice to the rights of internal audit to review and make further recommendations on relevant policies, procedures, controls and operations at a later date.

6.3 The Head of Internal Audit will put in place measures to ensure that individual auditors remain independent of areas they are auditing for example by:

- rotation of audit staff
- ensuring staff are not involved in auditing areas where they have recently been involved in operational management, or in providing consultancy and advice
- seeking external oversight of any audit of functional activities managed by the Head of Internal Audit through Veritau client management arrangements.

7 Accountability, reporting lines, and relationships

7.1 Internal audit services are provided under contract to the Council by Veritau North Yorkshire. The company is a separate legal entity. Staff undertaking internal audit work will be employed by Veritau North Yorkshire or another Veritau group company. Staff may also be seconded to the group from the Council. The Executive Director acts as client officer for the contract, and is responsible for overall monitoring of the service.

7.2 In its role in providing an independent assurance function, Veritau has direct access to members and senior managers and can report uncensored to them as considered necessary. Such reports may be made to the:

³ Veritau has adopted its own code of ethics which fulfil the requirements of the PSIAS.

- Council, Cabinet, or any Committee (including the Audit Committee/AS Board)
 - Chief Executive
 - Executive Director (s151 officer)
 - Monitoring Officer
 - other directors and service managers.
- 7.3 The Executive Director (as s151 officer) has a statutory responsibility for ensuring that the Council has an effective system of internal audit in place. In recognition of this, a protocol has been drawn up setting out the relationship between internal audit and the Executive Director. This is included in Appendix 1.
- 7.4 The Head of Internal Audit will report independently to Audit Committee/Access Selby Board⁴ on:
- proposed allocations of audit resources
 - any significant risks and control issues identified through audit work
 - his/her annual opinion on the Council's control environment.
- 7.5 The Head of Internal Audit will informally meet in private with members of the Audit Committee/Access Selby Board, or the Committee/Board as a whole as required. Meetings may be requested by committee/board members or the Head of Internal Audit.
- 7.6 The Audit Committee/Access Selby Board will oversee (but not direct) the work of internal audit. This includes commenting on the scope of internal audit work and approving the annual audit plan. The Committee/Board will also protect and promote the independence and rights of internal audit to enable it to conduct its work and report on its findings as necessary⁵.

8 Fraud and consultancy services

- 8.1 The primary role of internal audit is to provide assurance services to the Council. However, the service may also be required to undertake fraud investigation and other consultancy work to add value and help improve governance, risk management and control arrangements.
- 8.2 The prevention and detection of fraud and corruption is the responsibility of directors and service managers. However, all instances of suspected fraud and corruption should be notified to the Head of Internal Audit, who will decide on the

⁴ The committee/board charged with overall responsibility for governance at the council.

⁵ The relationship between internal audit and the Audit Committee/Access Selby Board is set out in more detail in Appendix 2.

course of action to be taken in consultation with relevant service managers and/or other advisors (for example human resources). Where appropriate, cases of suspected fraud or corruption will be investigated by Veritau.

- 8.3 Where appropriate, Veritau may carry out other consultancy related work, for example specific studies to assess the economy, efficiency, and effectiveness of elements of service provision. The scope of such work will be determined in conjunction with service managers. Such work will only be carried out where there are sufficient resources and skills within Veritau and where the work will not compromise the assurance role or the independence of internal audit. Details of all significant consultancy assignments completed in the year will be reported to the Audit Committee/Access Selby Board.

9 Resourcing

- 9.1 As part of the audit planning process the Head of Internal Audit will review the resources available to internal audit, to ensure that they are sufficient to meet the requirements to provide an opinion on the Council's control environment. Where resources are judged to be insufficient, recommendations to address the shortfall will be made to the Executive Director and to the Audit Committee/Access Selby Board.

10 Rights of access

- 10.1 To enable it to fulfil its responsibilities, the Council gives internal auditors employed by Veritau the authority to:
- enter all Council premises or land, at any reasonable time
 - have access to all data, records, documents, correspondence, or other information - in whatever form - relating to the activities of the Council
 - have access to any assets of the Council and to require any employee of the Council to produce any assets under their control
 - be able to require from any employee or member of the Council any information or explanation necessary for the purposes of audit.
- 10.2 Directors and service managers are responsible for ensuring that the rights of Veritau staff to access premises, records, and personnel are preserved, including where the Council's services are provided through partnership arrangements, contracts or other means.

11 Review

- 11.1 This charter will be reviewed periodically by the Head of Internal Audit. Any recommendations for change will be made to the Executive Director and the Audit Committee/Access Selby Board, for approval.

Relationship between the Executive Director (the s151 Officer) and internal audit

- 1 In recognition of the statutory duties of the Council's Executive Director (the Director) for internal audit, this protocol has been adopted to form the basis for a sound and effective working relationship between the Director and internal audit.
 - (i) The Head of Internal Audit (HoIA) will seek to maintain a positive and effective working relationship with the Director.
 - (ii) Internal audit will review the effectiveness of the Council's systems of control, governance, and risk management and report its findings to the Director (in addition to the Audit Committee/Access Selby Board).
 - (iii) The Director will be asked to comment on those elements of internal audit's programme of work that relate to the discharge of his/her statutory duties. In devising the annual audit plan and in carrying out internal audit work, the HoIA will give full regard to the comments of the Director.
 - (iv) The HoIA will notify the Director of any matter that in the HoIA's professional judgement may have implications for the Director in discharging his/her s151 responsibilities.
 - (v) The Director will notify the HoIA of any concerns that he/she may have about control, governance, or suspected fraud and corruption and may require internal audit to undertake further investigation or review.
 - (vi) The HoIA will be responsible for ensuring that internal audit is provided in accordance with proper practice.
 - (vii) If the HoIA identifies any shortfall in resources which may jeopardise the ability to provide an opinion on the Council's control environment, then he/she will make representations to the Director, as well as to the Audit Committee/Access Selby Board.
 - (viii) The Director will protect and promote the independence and rights of internal audit to enable it to conduct its work effectively and to report as necessary.

Relationship between the Audit Committee/Access Selby Board and internal audit

- 1 The Audit Committee/Access Selby Board play a key role in ensuring the Council maintains a robust internal audit service and it is therefore essential that there is an effective working relationship between the Committee/Board and internal audit. This protocol sets out some of the key responsibilities of internal audit and the Committee/Board.
- 2 The Committee/Board will seek to:
 - (i) raise awareness of key aspects of good governance across the organisation, including the role of internal audit and risk management
 - (ii) ensure that adequate resources are provided by the Council so as to ensure that internal audit can satisfactorily discharge its responsibilities
 - (iii) protect and promote the independence and rights of internal audit to conduct its work properly and to report on its findings as necessary.
- 3 Specific responsibilities in respect of internal audit include the following.
 - (i) Oversight of, and involvement in, decisions relating to how internal audit is provided.
 - (ii) Approval of the internal audit charter.
 - (iii) Consideration of the annual report and opinion of the Head of Internal Audit (HoIA) on the Council's control environment.
 - (iv) Consideration of other specific reports detailing the outcomes of internal audit work.
 - (v) Consideration of reports dealing with the performance of internal audit and the results of its quality assurance and improvement programme.
 - (vi) Consideration of reports on the implementation of actions agreed as a result of audit work and outstanding actions escalated to the Committee/Board in accordance with the approved escalation policy.
 - (vii) Approval (but not direction) of the annual internal audit plan.
- 4 In relation to the Audit Committee/Access Selby Board, the HoIA will:
 - (i) attend its meetings and contribute to the agenda
 - (ii) ensure that overall internal audit objectives, workplans, and performance are communicated to, and understood by, the Committee/Board
 - (iii) provide an annual summary of internal audit work, and an opinion on the Council's control environment, including details of unmitigated risks or other issues that need to be considered by the Committee/Board

- (iv) establish whether anything arising from the work of the Committee/Board requires consideration of the need to change the audit plan or vice versa
 - (v) highlight any shortfall in the resources available to internal audit and to make recommendations to address these to the Committee/Board
 - (vi) report any significant risks or control issues identified through audit work which the HoIA feels necessary to specifically report to the Committee/Board
 - (vii) participate in the Committee's/Board's review of its own remit and effectiveness
 - (viii) consult with the committee/board on how external assessment of the internal audit service will be conducted (required once every five years).
- 5 The HoIA will informally meet in private with members of the Audit Committee/Access Selby Board, or the Committee/Board as a whole as required. Meetings may be requested by committee members or the HoIA.

To: Audit Committee
Date: 16 April 2014
Author: John Barnett; Audit Manager, Veritau
Lead Officer: Karen Iveson – Executive Director (S151)

Title: Internal Audit Plan 2014/15

Summary: The purpose of this report is to present the proposed Internal Audit Plan for 2014/15.

Recommendation:

It is recommended that the Internal Audit Plan for 2014/15 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 Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards.

1. Introduction and background

- 1.1 This document sets out the planned 2014/15 programme of work for internal audit, counter fraud and risk management provided by Veritau for Selby District Council.
- 1.2 The work of internal audit is governed by the Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards. In accordance with these standards internal audit is required to prepare an audit plan on at least an annual basis.

2. The Report

- 2.1 The plan is explicitly aligned to the Council's main strategic risks. This accords with commonly accepted good practice and will enable

members of the 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.

2.2 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 Committee who monitor 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.

2.3 The plan is based on a total commitment of 355 days for 2014/15.

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

Contact Officer:

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Appendices:

Attached - Selby District Council Internal Audit Plan 2014/15



Selby District Council

Internal Audit Plan 2014/15

Audit Manager:
Client Relationship Manager:
Head of Internal Audit:

John Barnett
Roman Pronyszyn
Max Thomas

Circulation List:

Member of the Audit Committee
Access Selby Board
Chief Executive
Executive Director (S151 Officer)

Date: 16 April 2014



Introduction

- 1 This document sets out the planned 2014/15 programme of work for internal audit, counter fraud and risk management provided by Veritau for Selby District Council.
- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards. In accordance with these standards internal audit is required to prepare an audit plan on at least an annual basis.
- 3 The plan is explicitly aligned to the Council's main strategic risks. This accords with commonly accepted good practice and will enable members of the Audit Committee, Access Selby Board (ASB) 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/ASB 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 is based on a total commitment of 355 days for 2014/15. This is in line with previous years.

2014/15 Audit Plan

- 6 The Audit Plan for 2014/15 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.
- 7 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.

8 Details of the 2014/15 plan are set out in Appendix A

Internal Audit Plan 2014/15

Risk Register

Risk No	Risk	Audit	Scope	Days
038	Failure to achieve emerging Savings and Efficiency Strategy	Savings Delivery	Review the progress in achieving the aims in the Medium Term Financial Strategy with the Council's ongoing programme for service delivery and savings reviews.	8
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	<i>Linked to:- General Ledger Treasury Management Capital Accounting</i>		
041	Partnerships do not deliver agreed outcomes	Partnerships	A review to provide assurance that appropriate governance arrangements are in place for identified partnerships and that those partnership are achieving the required strategic and business objectives	12
010	The Council's Performance Management system requires management and staff buy-in	Performance Management/Data Quality	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.	12
053	Poor Data Quality		Ensure objectives are linked to the Access Selby Business Plan	
057	Responding to changes in government legislation	Government Legislation	To provide assurance that the Council is in a position to effectively monitor and implement government legislation	8

Fundamental/Material Systems Audits

Audit	Scope	Days
Housing Rents	To provide assurance that the processes employed to administer the Council's housing rent accounts are sound	12
Council Tax/NNDR	To review the key risks/controls for the setting and collection of local tax including estimation techniques for business rate reliefs	15
Sundry Debtors	A review of the systems for raising debtor invoices and collecting income, credit control, and debt recovery arrangements	10
Benefits	To review the key risks/controls involved in awarding and paying benefits including the Council Tax Support Scheme	15
Council House Repairs	To review the risks and controls employed to administer the Council's housing repairs system	12
Creditors	To review the key risks/controls surrounding the payment of Creditors invoices	12
Income/Receipting System(s)	To review the key risks/controls surrounding the receipting and balancing of monies received	12
Payroll	A review of the controls associated with payroll processing	8
General Ledger (budgetary control & reconciliations)	A review of the budget setting, monitoring processes and reconciliations including virements and journal transfers	15
Treasury Management	Completed 2013/14	
Capital Accounting/Asset Management	To review the treatment of assets and capital expenditure, ensuring they are in line with established accountancy policies and best practice guidelines	10

121

Regularity Audits

Audit	Scope	Days
Civil Contingencies Act/Business Continuity	To ensure compliance with the Civil Contingencies Act 2004 and established business continuity and disaster recovery procedures	15
Safe Guarding Children	To provide assurance that the provisions, under Section 11 of the Children's Act 2004 - to ensure that the Council is fully engaged in it's Safeguarding responsibilities, - are adhered too.	5
Taxi Licensing	To provide assurance that licence fees are in line with legislation and risks within the system(s) are adequately controlled.	7

27

Technical/Project Audits

Audit	Scope	Days
ICT	To provide assurance that effective controls are in place to ensure that payment card processing complies with PCI DSS requirements, and to review the management of access permissions on the network	12
Programme for Growth	To review and advise on the individual projects contained within the Programme ensuring that efficient and robust mechanisms are in place for delivery	15
Leisure Centre Rebuild/Leisure Village	Review of the risks/controls around the projects	10
Contract Audit/Procurement	Review of the risks/controls involved in awarding contracts and compliance with regulations/legislations	12
Housing Trust	Project support	10
Business Transformation	To advise on the project initiatives	9
Better Together	Project support and risk management	10
Information Governance – Support	To support the introduction of measures to comply with the required legislation	10

Client Support & Advice

Area	Days
Financial Appraisals	6
Committee Prep & Attendance inc AGS	25
External Audit Liaison	3
Miscellaneous Advice	2
Member & Officer Training	3
Corporate Issues (inc audit planning and client liaison)	15

54

Other

Area	Days
Contingency	15
Follow Ups	10

25

355

To: Audit Committee
Date: 16 April 2014
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 2013/14

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.

Contact Officer: *Richard Besley*
Democratic Services Officer
Selby District Council
rbesley@selby.gov.uk

Appendices:

Appendix A – Annual Report 2013/14 Document

Selby District Council

AUDIT COMMITTEE
ANNUAL REPORT
2013/2014

Introduction by Councillor Chris Pearson - Chair of the Audit Committee

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

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 will have met four times in 2013/14 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 Mazars reports of Selby District Council and Veritau 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 2014/15.

Audit Committee Annual Report

The Audit Committee

The Audit Committee membership comprised the following 9 members during the 2013/14 municipal year

Conservative	Labour	Independent
C Pearson (Chair)	D Davies	M McCartney
C Mackman (Vice Chair)	W Nichols / R Price	
J Cattnach	changed January 2014	
M Dyson		
I Nutt		
S Ryder		

The committee met 4 times during the year.

Officer support was provided by Karen Iveson, Executive Director (and s151 Officer) and Richard Besley, Democratic Service Officer.

Representatives of both internal audit (Veritau) and external audit (Mazars) were in attendance at every meeting and relevant Council officers were also present to answer questions from the committee.

The Role of the Audit Committee

The Audit Committee is responsible for scrutinising and monitoring the control systems, procedures and risk management systems operating at the Council.

In accordance with the Council's Constitution, the committee has delegated authority to:

- Scrutinise and approve the Council's Annual Governance Statement, Statement of Accounts;
- Consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements;
- Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors;
- Be satisfied that the Council's assurance statements have been properly developed and considered by councillors;
- Receive, but not direct, internal audit's strategy and plan and monitor performance;
- Review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary;
- Receive the annual report of the internal audit service;
- Consider the reports of external audit and inspection agencies;
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;

- Review the financial statements, external auditor's opinion and reports to councillors, and monitor management action in response to issues raised by external audit;
- Issue reports and make recommendations, where appropriate, and in relation to any matters listed above, for consideration by the Council, Executive or the relevant committee of the Council.

2013/14 Work Programme

During 2013/14 the Audit Committee reviewed and considered:

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

A summary of the committee's work over the year is set out at Appendix A.

Committee Member Development

The nature of the committee's work requires a high degree of knowledge of the Council's control framework and financial arrangements. In order to ensure members of the committee develop the skills and knowledge necessary to fulfil their role two dedicated training sessions were delivered during the year although attendance at these sessions has been mixed:

- **September** – members were briefed on the financial statements and the key issues they should look for when considering the reports associated with the statutory Statement of Accounts.
- **January** – members were briefed on the role of the audit committee in the context of the Council's wider control and assurance framework. This included the differing roles of internal and external audit.

Looking forward to 2014/15 the aim will be to encourage attendance at any member development sessions to ensure that the Committee is adequately equipped to fulfil its role effectively.

Conclusion

The Audit Committee has exercised its delegations across a broad range of topics and has had opportunity to develop the skills and knowledge of its members to ensure that the Council's control framework has been adequately scrutinised.

Audit Committee Annual Report 2013/14

Topic	Outcome
26 June 2013	
Audit Committee work programme 2013/14	The committee approved its work programme for the coming year which included: statutory items associated with governance, the accounts and external audit requirements; risk management; counter fraud; the work of internal audit; and the new business rates regime.
Localised Business Rates	The committee was briefed on the localisation of business rates and in particular the risk to Council funding and the need for robust monitoring arrangements. The committee acknowledged the Business Rates Equalisation Reserve had been established to help mitigate the risk of financial loss.
Council tax re-billing	The committee considered the review of the billing arrange to ensure that lessons learned had been captured and that appropriate control mechanisms were in place for the future.
Annual review of audit vision and charter	The committee heard that the Public Sector Internal Audit Standards specified that the Vision and Charter should be reviewed on a regular basis. The Committee noted the opportunity of an annual private meeting with the Head of Internal Audit and asked that this be arranged.
External audit progress report	The committee was pleased to hear that the external auditor felt that the regular meetings between Mazars' staff and the Council finance team had proved beneficial throughout the audit process.
Risk Management Annual Report	The committee considered the Risk Management Annual Report for 2012/13 and endorsed the actions of officers in furthering the progress of risk management.
Review of the Corporate Risk Register	The committee reviewed the latest Corporate Risk Register and highlighted the on-going risks and challenges being faced as a result of the on-going economic recession. In particular the committee commented on the risks to the council's financial position and delivery of affordable housing. The committee was keen to ensure focus was maintained on mitigating actions and would be monitoring these closely over the course of the year.
Review of the Access Selby Risk Register	The committee reviewed Access Selby's latest Risk Register, discussed the approach to managing risk and endorse the actions of officers.

Topic	Outcome
25 September 2013	
Audit Commission's Annual Governance Report and Opinion on the Financial Statements	The committee received the Audit Commission's Annual Governance Report and opinion on Financial Statements. The report provided an unqualified opinion on the Council's accounts.
Annual Governance Statement	<p>The Annual Governance Statement provided assurance that the Council's control framework was adequate but highlighted three areas for improvement:</p> <ul style="list-style-type: none"> • Contract documentation • Reconciliations between feeder systems and the main accounting system • Financial skills and capacity in Business Support <p>All areas were subject to action plans and progress would be monitored over the coming months.</p>
Statement of Accounts (post audit)	The committee approved the statutory Statement of Accounts which had received an unqualified audit opinion from the external auditor.
Counter Fraud Annual Report	The committee reviewed the Counter Fraud Annual Report and heard that the Council followed good practice guidelines from both CIPFA and its internal auditors, Veritau. Whilst instances of fraud within the Council were rare, it remained important to keep the profile of counter fraud work high on corporate agenda and to be vigilant in managing the risk of fraud.
Internal Audit Quarter 1+Report 2013/14	The committee reviewed progress against the Internal Audit Plan and noted that 3 out of 25 audits had been completed and 7 audits were currently in progress. The committee was informed that a review of the costs of licencing administration would be undertaken to ensure fees were set to recover costs. Overall the Council's control framework was considered to give 'moderate assurance' given the work done to date.

Topic	Outcome
15 January 2014	
Annual Governance Statement – Action Plan Review	The committee reviewed progress against the AGS Action Plan and were advised that the reconciliations for housing rents and housing benefits were now up to date. The committee would consider this item again on 16 April 2014.
Internal Audit Quarter 2+ Report 2013/14	The committee reviewed progress against the Internal Audit Plan and noted that 6 out of 25 audits had been completed. 3 draft reports had been issued and a further 6 audits were in progress. Given the work done to date the Council's control framework was assessed as giving 'substantial assurance'.
Annual Audit Letter	The committee received the Audit Commission's report on the 2012/13 Audit and Value for Money conclusion and was assured that the Council had made proper arrangements to secure value for money.
Audit of Grant Claims & Returns 2013/14	The committee received the Audit report which summarised the work to certify four claims.
External Audit Progress Report - Mazars	The committee reviewed the progress by Mazars in meeting its responsibilities as the Council's External Auditor. The external auditor advised of potential DCLG plans to bring forward the deadline for local authority accounts production and officers confirmed that these developments were being monitored closely.
Review of Risk Management Strategy	The committee reviewed the Risk Management Strategy and approved the approach to the management of risk across the organisation.
Review of the Corporate Risk Register	The committee reviewed the latest Corporate Risk Register and endorsed the actions of officers.
Review of the Access Selby Risk Register	The committee reviewed the latest Corporate Risk Register and endorsed the actions of officers.

The following items are due to be considered at the final meeting of the municipal year:

16 April 2014	
Annual Governance Statement – Action Plan Review	To review progress against the AGS Action Plan
Internal Audit Quarter 3+ Report 2013/14	To review progress against the Internal Audit Plan for 2013/14
Internal Audit Charter	To approve the Internal Audit Charter
Internal Audit Plan 2014/15	To approve the Internal Audit Plan 2014/15
External Audit Work programme	To receive Mazars proposals for auditing the financial statements and value for money conclusions for 2013/14
External Audit Progress Report – Mazars	To review the progress by Mazars in meeting its responsibilities as the Council's External Auditor.
Audit Committee Annual Report 2013/14 and Work Programme 2014/15	To approve the 2013/14 Annual Report and the 2014/15 Work Programme for the committee

Audit Committee Work Programme 2014/15

Date of Meeting	Topic	Action Required
18 June 2014	<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 2014/15
	<u>Committee Requested Item</u> Audit Committee Work Programme 2014/15	To consider the Committee's Work Programme for the year ahead.
	<u>Committee Requested Item</u> Internal Audit Annual Report 2013/14	To consider the Internal Audit Annual Report for 2013/14.
	<u>Committee Requested Item</u> Risk Management Annual Report	To consider the Risk Management Annual Report for 2013/14
	<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

24 September 2014	<u>Committee Requested Item</u> Annual Governance Statement	To approve the Annual Governance Statement
	<u>Committee Requested Item</u> Statement of Accounts (post audit)	To approve the Statement of Accounts
	<u>Committee Requested Item</u> Mazars External Annual Governance Report and Opinion on the Financial Statements	To receive the Mazars Annual Governance Report and opinion on Financial Statements
	<u>Committee Requested Item</u> Counter Fraud Annual Report	To review the Counter Fraud Annual Report
	<u>Committee Requested Item</u> Internal Audit Quarter 1+Report 2014/15	To review progress against the Internal Audit Plan

14 January 2015	<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 2014/15	To review progress against the Internal Audit Plan
	<u>Committee Requested Item</u> Annual Audit Letter	To receive the Mazars report on the 2013/14 Audit and Value for Money conclusion
	<u>Committee Requested Item</u> Audit of Grant Claims & Returns 2014/15	To receive the Mazars Audit report
	<u>Committee Requested Item</u> Review of Risk Management Strategy	To review the Risk Management Strategy
	<u>Committee Requested Item</u> Review of the Corporate Risk Register	To review the latest Corporate Risk Register
	<u>Committee Requested Item</u> Review of the Access Selby Risk Register	To review the latest Access Selby Risk Register
	<u>Committee Requested Item</u> External Audit Progress Report – Mazars	To review the progress by Mazars in meeting its responsibilities as the Council’s External Auditor.

14 April 2015	<u>Committee Requested Item</u> Audit Strategy Memorandum and External Audit Progress Report – Mazars	To review the Audit Strategy and progress of the External Audit with Mazars
	<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 Progress Report 2014/15	To review progress against the Internal Audit Plan for 2014/15
	<u>Committee Requested Item</u> Internal Audit Charter	To approve the Internal Audit Charter
	<u>Committee Requested Item</u> Internal Audit Plan 2015/16	To approve the Internal Audit Plan 2015/16
	<u>Committee Requested Item</u> Audit Committee Annual Report 2014/15 and Work Programme 2015/16	To approve the 2014/15 Annual Report and the 2015/16 Work Programme for the committee