



Meeting: **AUDIT AND GOVERNANCE COMMITTEE**  
Date: **WEDNESDAY 13 APRIL 2016**  
Time: **5.00PM**  
Venue: **COMMITTEE ROOM**  
To: **Councillors M Jordan (Chair), I Reynolds (Vice Chair), K Arthur, D Buckle, Mrs J Chilvers, A Thurlow and P Welch.**

## Agenda

### 1. Apologies for absence

### 2. Disclosures of Interest

A copy of the Register of Interest for each Selby District Councillor is available for inspection at [www.selby.gov.uk](http://www.selby.gov.uk) .

Councillors should declare to the meeting any disclosable pecuniary interest in any item of business on this agenda which is not already entered in their Register of Interests.

Councillors should leave the meeting and take no part in the consideration, discussion or vote on any matter in which they have a disclosable pecuniary interest.

Councillors should also declare any other interests. Having made the declaration, provided the other interest is not a disclosable pecuniary interest, the Councillor may stay in the meeting, speak and vote on that item of business.

If in doubt, Councillors are advised to seek advice from the Monitoring Officer.

### 3. Minutes

To confirm as a correct record the minutes of the Audit and Governance Committee held on 13 January 2016 (pages 1 to 6 attached).

### 4. Chair's Address to the Audit and Governance Committee

### 5. A/15/20 – Audit Strategy Memorandum 2015/16

To receive and note the Audit Strategy Memorandum from the external auditor (pages 7 to 24 attached).

**6. A/15/21 – External Audit Progress Report**

To receive and note the External Audit Progress Report from the external auditor (pages 25 to 42 attached).

**7. A/15/22 – Internal Audit Progress Report 2015/16**

To receive and note the report from the Audit Manager, Veritau and to review progress against the Internal Audit Plan (pages 43 to 70 attached).

**8. A/15/23 – Internal Audit and Counter Fraud Plan 2016/17**

To approve the Internal Audit Plan 2016/17 (pages 71 to 82 attached).

**9. A/15/24 – Audit and Governance Committee Annual Report 2015/16**

To approve the Audit and Governance Committee Annual Report 2015/16 (pages 83 to 94 attached).

**10. A/15/25 – Audit and Governance Committee Work Programme 2016/17**

To approve the Audit and Governance Committee Work Programme for the municipal year 2016/17 (pages 95 to 98 attached).

**Gillian Marshall**  
**Solicitor to the Council**

For enquiries relating to this agenda please contact Daniel Maguire:  
Tel: 01757 292247. Email: [dmaguire@selby.gov.uk](mailto:dmaguire@selby.gov.uk).

**Recording at Council Meetings**

Recording is allowed at Council, Committee and Sub-Committee meetings which are open to the public, subject to:- (i) the recording being conducted with the full knowledge of the Chairman of the meeting; and (ii) compliance with the Council's protocol on audio/visual recording and photography at meetings, a copy of which is available on request. Anyone wishing to record must contact the Democratic Services Officer on the above details prior to the start of the meeting. Any recording must be conducted openly and not in secret.

# Minutes

## Audit and Governance Committee

---

Venue:	Committee Room
Date:	Wednesday 13 January 2016
Time:	5.00pm
Present:	Councillors M Jordan (Chair), K Arthur, D Buckle, Mrs J Chilvers, I Reynolds, A Thurlow and P Welch.
Apologies:	None.
Officers present:	Karen Iveson, Executive Director (s151), Gillian Marshall, Solicitor to the Council (for minute item 30); Phil Jeffrey, Audit Manager, Veritau; Gavin Barker, Senior Manager, Mazars; Dan Spiller, Senior Auditor, Mazars and Daniel Maguire, Democratic Services Officer
Public:	0
Press:	0

---

### **26. DISCLOSURES OF INTEREST**

There were no disclosures of interest.

### **27. MINUTES**

The Committee considered the minutes of the Audit and Governance Committee meeting held on 29 September 2015.

#### **RESOLVED:**

**To approve the minutes of the Audit and Governance Committee meeting held on 29 September 2015.**

## **28. CHAIR'S ADDRESS TO THE AUDIT AND GOVERNANCE COMMITTEE**

The Chair welcomed councillors and officers, and offered his best wishes for the New Year.

The Chair reported that he would be attending an Audit Forum on 3 February with other Audit Committee Chairs from neighbouring authorities; this would be an opportunity to share best practice.

The Committee was advised that it would have an opportunity to meet privately with the external auditors, Mazars, prior to the next Committee meeting on 13 April 2016.

## **29. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME 2015/16**

The Work Programme was noted. It was confirmed that future meetings would be preceded by member development sessions, and that these sessions would be themed around items on the agenda for each meeting.

## **30. INFORMATION GOVERNANCE ANNUAL REPORT (REPORT A/15/12)**

The Solicitor to the Council presented the report, which updated the Committee on progress relating to Information Governance during 2015.

It was explained that the report followed on from an internal review into Information Governance undertaken in March 2014. Following the internal review a project was established to strengthen Information Governance, and as part of this project, Information Governance was added to the Terms of Reference for the Audit and Governance Committee.

The report noted that the review in 2014 had concluded that the opinion of the auditors was that the Council's systems relating to Information Government provided 'Limited Assurance'. Following this a number of actions had been identified including the appointment of a Senior Information Risk Officer (SIRO) and the appointment of Lead Officers as Information Asset Owners. An Information Governance Framework had been agreed and all staff had received training on this. Information Governance was now also included in induction briefings for new staff.

Issues identified and actioned during 2015 included; information sharing arrangements, information security checks, data protection breaches and Freedom of Information requests.

The Committee asked for further information about the effectiveness of data sharing agreements and in particular the agreement with Yorkshire Water in response to recent flooding incidents.

It was confirmed that the Council was confident that existing procedures were sufficiently robust to meet the requirements of the Information Commissioner, but that independent verification would be sought by way of an internal audit.

The Committee asked about security arrangements in respect of Council employees who might work from home on occasions. It was confirmed that robust systems were in place, including the encryption of laptops and the monitoring of systems by Lead Officers. It was further confirmed that some sections were moving towards fully paper-less systems which would further reduce the risk of document loss.

**RESOLVED:**

**To note the content of the report.**

**31. ANNUAL GOVERNANCE STATEMENT – ACTION PLAN REVIEW  
(REPORT A/15/13)**

The Executive Director (s151) presented the report, and explained that the Annual Governance Statement accompanied the statutory annual accounts which were published in September 2015. The Action Plan enabled the Audit and Governance Committee to undertake a half-yearly review of progress. The report confirmed that progress had been made against agreed actions, but that there had been some delays regarding some reconciliation particularly with regard to payroll issues.

**RESOLVED:**

**To note the Action Plan for the Annual Governance Statement 2014/15.**

**32. ANNUAL AUDIT LETTER 2014/15 (REPORT A/15/14)**

The Senior Manager (Mazars) presented the Annual Audit Report 2014/15 which summarised the annual audit and confirmed actions that had been completed. The external auditors had issued an unqualified value for money conclusion on 30 September 2015. It was noted in particular that officers had reacted competently and efficiently in handling late adjustments that had arisen due to external factors. It was confirmed that the Council had continued to be proactive in looking at value for money through projects such as 'Better Together'.

**RESOLVED:**

**To note the Annual Audit Letter 2014/15.**

### **33. EXTERNAL AUDIT PROGRESS REPORT (REPORT A/15/15)**

The Senior Manager (Mazars) presented the Audit Progress Report for January 2016, which highlighted work undertaken since the previous report in September 2015. It was confirmed that the 2014/15 Annual Audit had been completed by the statutory deadline of 30 September 2015, and that the Audit had concluded unqualified opinions on the Council's financial statements and on the value for money conclusion.

The report confirmed that the Housing Benefits Subsidy Claim 2014/15 had been completed and certified before the Department of Work and Pension's deadline of 30 November 2015.

It was noted that work for the next quarter would include; initial planning for the 2015/16 Audit, liaison with internal auditors, continued liaison with senior officers, and undertaking any interim substantive testing. A detailed Audit Strategy Memorandum would be presented to the next meeting of the Audit and Governance Committee on 13 April 2016.

The Committee was informed of some personnel changes within Mazars. Suresh Patel had replaced Cameron Waddell as the Engagement Lead for Selby District Council. Dan Spiller was introduced to the Committee, and would be working alongside Gavin Barker as the Team Leader.

#### **RESOLVED:**

**To note the External Audit Progress Report, January 2016.**

### **34. INTERNAL AUDIT PROGRESS REPORT (REPORT A/15/16)**

The Audit Manager (Veritau) presented the report, which provided the Committee with an update on progress made in delivering the internal audit work plan for 2015/16 and summarised the findings of recent internal audit work.

The report noted that there were thirteen audits in progress, three reports were at draft stage and three reports had been finalised since the previous meeting. It was anticipated that the performance target of 93% of the agreed Audit Plan to be delivered would have been exceeded by April 2016.

It was noted that 35 agreed actions from the 2014/15 audits had been followed up with the relevant officers. Of these, 30 had been satisfactorily implemented and the remaining 5 had been assigned a revised target date. In response to a question from the Committee it was confirmed that a revised target date did not increase exposure to risk, and that the reason for a revised target date could have been due to a variety of valid reasons.

#### **RESOLVED:**

**To note the Internal Audit Progress Report.**

### **35. PRIVATE SESSION**

#### **RESOLVED:**

To exclude the press and public from the meeting during discussion of the following items, 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, as there was likely to be disclosure of exempt information. The exempt information being that defined in paragraph 3 of schedule 12A as information relating to the financial or business affairs of any person, including that of the authority holding the information. It was in the public interest to exempt this information as it included detail about how the Council manages risk and specifically the risks that were being actively managed (including their likelihood, impact and mitigating actions) which, if disclosed, could allow third parties to use this information against the Council. Consequently, disclosure of the detail of risk management was not considered to be in the interests of taxpayers, although inclusion on Audit and Governance Committee agendas and the coverage of the Annual Governance Statement should provide assurance that risk was being managed effectively.

### **36. REVIEW OF THE RISK MANAGEMENT STRATEGY (REPORT A/15/17)**

The Audit Manager (Veritau) presented the report, which presented the Committee with the revised Risk Management Strategy. It was confirmed that only minor amendments had been made as part of the review.

#### **RESOLVED:**

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

### **37. REVIEW OF THE CORPORATE RISK REGISTER (REPORT A/15/18)**

The Executive Director (s151) presented the report of the Audit Manager (Veritau), which updated the Committee on movements within the Corporate Risk Register. The Committee were able to ask questions to both the Executive Director (s151) and the Audit Manager (Veritau) about specific risks.

#### **RESOLVED:**

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

**38. REVIEW OF THE ACCESS SELBY RISK REGISTER (REPORT A/15/19)**

The Executive Director (s151) presented the report of the Audit Manager (Veritau), which updated the Committee on movements within the Access Selby Risk Register. The Committee were able to ask questions to both the Executive Director (s151) and the Audit Manager (Veritau) about specific risks.

**RESOLVED:**

**To note the report and endorse the actions of officers in furthering the progress of risk management.**

The meeting closed at 6.45pm.



**Public Session**

**Report Reference Number: A/15/20**

**Agenda Item No: 5**

---

**To:** Audit and Governance Committee  
**Date:** 13 April 2016  
**Author:** Daniel Maguire, Democratic Services Officer  
**Lead Officer:** Palbinder Mann, Democratic Services Manager

---

**Title:** Audit Strategy Memorandum 2015/16

**Summary:**

The report from the external auditor, Mazars, is provided for comment and noting.

**Recommendations:**

**To note and comment on the Audit Strategy Memorandum 2015/16**

**Reasons for recommendation**

*The Audit and Governance Committee is required to receive and comment on reports from the external auditor.*

**1. Introduction and background**

- 1.1 The report has been submitted by the external Auditor, Mazars and forms the basis for discussion at the Audit and Governance Committee meeting.
- 1.2 It is an annual report and covers the year ending 31 March 2016.

**2 The Report**

- 2.1 The report is attached at appendix A and sets out the audit plan in respect of the audit and financial statements of Selby District Council for the year ending 31 March 2016.
- 2.2 The report also sets out the proposed audit approach and is prepared to assist the Committee in fulfilling its governance responsibilities.

2.3 The Committee will have the opportunity to ask questions of officers and the external auditors at the meeting.

**3 Legal/Financial Controls and other Policy matters**

3.1 None.

**4. Conclusion**

4.1 The Committee is asked to consider and note the report.

**5. Background Documents**

None.

**Contact Officer:**

Daniel Maguire, Democratic Services Officer  
Ext: 42247  
dmaguire@selby.gov.uk

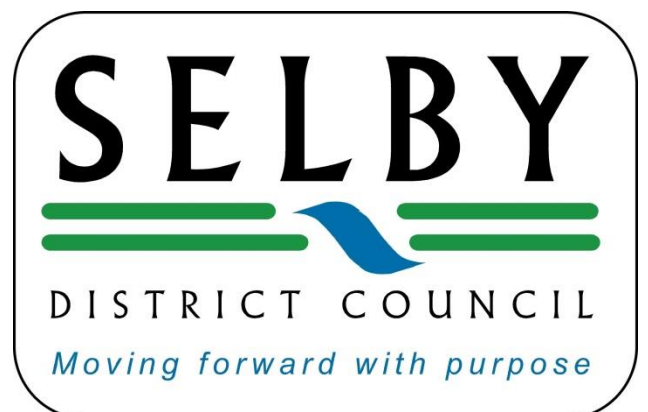
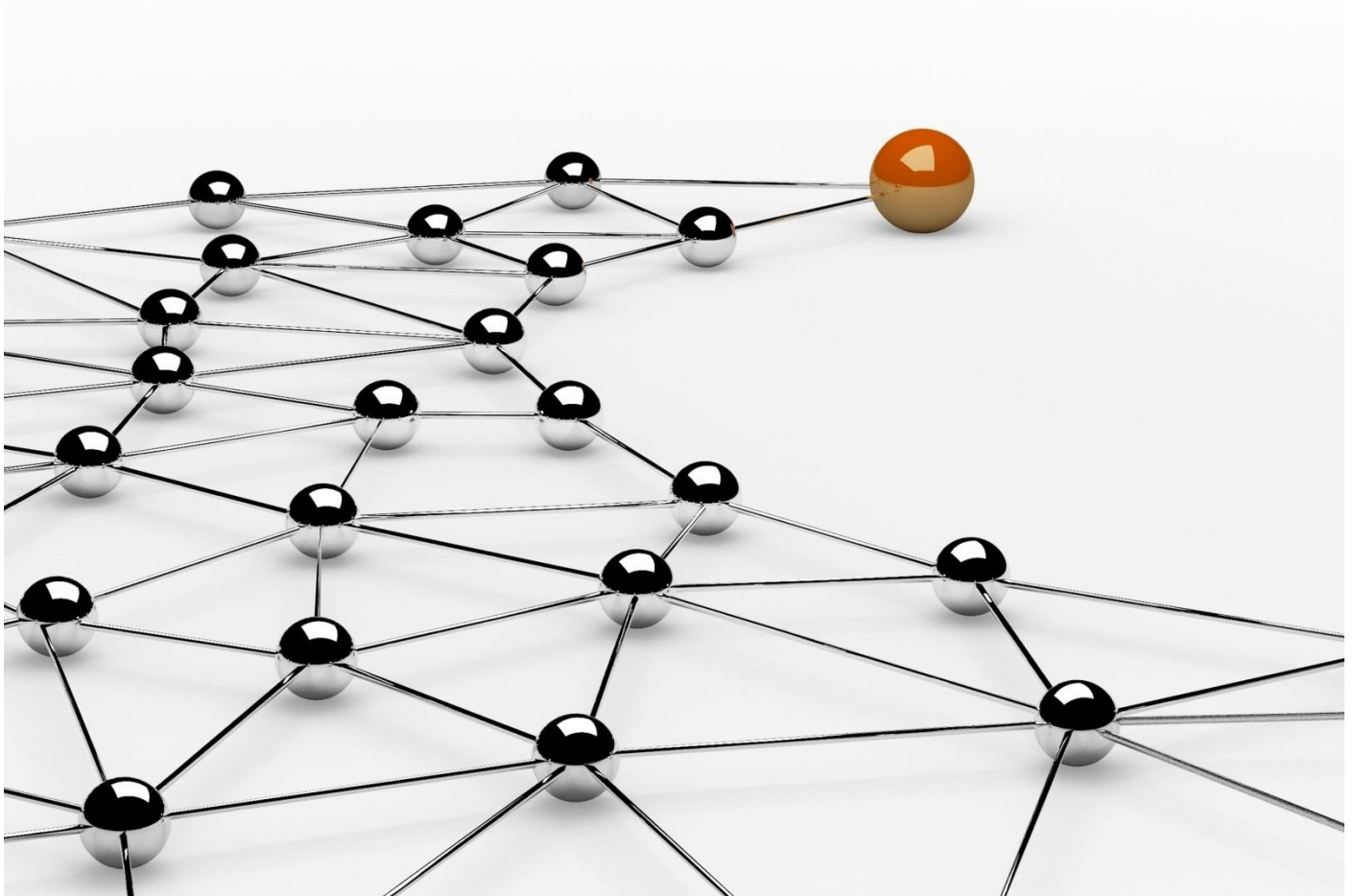
**Appendices:**

*A – Audit Strategy Memorandum 2015/16*

# Audit Strategy Memorandum

Selby District Council - Year ended 31 March 2016

March 2016



Mazars LLP  
The Rivergreen Centre  
Aykley Heads  
Durham  
DH1 5TS

Audit and Governance Committee  
Selby District Council  
Civic Centre  
Doncaster Road  
Selby  
YO8 9FT

24 March 2016

Dear Members

**Audit Strategy Memorandum for the year ending 31 March 2016**

We are delighted to present our Audit Strategy Memorandum for Selby District Council for the year ending 31 March 2016.

The purpose of this document is to summarise our audit approach, highlight significant audit risks 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 and Governance Committee meeting on 13 April 2016. If you would like to discuss any matters in more detail please do not hesitate to contact me on 020 7063 4609.

Yours faithfully

Suresh Patel  
Director, for and on behalf of Mazars LLP

# Contents

01 Purpose and background .....	1
02 Audit scope, approach and timeline .....	3
03 Significant risks and key judgement areas .....	6
04 Value for Money Conclusion .....	7
05 Your audit team .....	8
06 Fees for audit and other services .....	9
Appendix A – Independence .....	10
Appendix B - Materiality .....	11
Appendix C – Key communication points.....	12
Appendix D – Forthcoming accounting and other issues .....	13

Our reports are prepared in the context of the ‘Statement of responsibilities of auditors and audited bodies’ and ‘Terms of Appointment’ issued by Public Sector Audit Appointments Limited. 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.*

# 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 for the year ending 31 March 2016, and forms the basis for discussion at the Audit and Governance Committee meeting on 13 April 2016.

We have based the plan on discussions we have had with management, a review of key internal financial reporting, consideration of the external factors impacting on all local authorities and completion of the procedures our audit approach requires for audit planning. However, audit planning is a continuous activity. Where we identify new risks and issues that impact on our responsibilities that are not reflected in this plan we will report them to the Audit and Governance Committee promptly.

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 us 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 you face 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 by Public Sector Audit Appointments Ltd (PSAA) to perform the external audit of your accounts for the year to 31 March 2016 in accordance with the National Audit Office's Code of Audit Practice.

PSAA publish 'The Statement of Responsibilities' which serves as the formal terms of engagement between Mazars and the Council. It summarises where the different responsibilities of auditors and of the Council begin and end, and what is to be expected of the Council in certain areas

## Responsibilities

### • Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management nor the Audit and Governance Committee, as those charged with governance, of their responsibilities. We are also required to reach a conclusion on the arrangements that the Council has put in place to secure economy, efficiency and effectiveness in its use of resources (our Value for Money conclusion).

### • Whole of Government Accounts

We report to the National Audit Office in respect of the consistency of the Council's Whole of Government Accounts submission with the financial statements.

### • Fraud

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.

We are also required to give an elector, or any representative of the elector, an opportunity to question us about the accounting records of the Council and consider any objection made to the accounts by an elector.

## The Selby context

### Significant matters considered

As part of our risk-based approach to planning we consider a number of key performance and control environment features together with external developments. The following paragraphs set out some of the key aspects for 2015/16. Our current view is that this information does not give rise to any additional significant risks for the opinion audit.

### Performance and control environment

The Council has made good progress in addressing the financial challenges from public sector austerity and has a proven track record of strong budget management and delivering planned budget reductions.

The 2015/16 revenue budget included savings proposals to address reduced funding and cost pressures.

We use the Council's latest financial monitoring reports and medium term financial plan to consider the current financial position. The following table summarises the 2015/16 predicted budget outturn, based on the third quarter reviews considered by the Executive in February 2016. As at the end of December 2015, the latest budget forecasts for 2015/16 showed a better than expected forecast outturn than the original budget for both the General Fund and HRA.

Area	Original Budget	Funding	Net Budget position	Projected overspend / (underspend)	Forecast outturn at end of December 2015
General Fund - revenue expenditure	£10.807m	£10.774m	£33k deficit	(£157k)	£124k surplus
Housing Revenue Account	£11.221m	£12.489m rents	£1.268m surplus	(£521k)	£1.789m surplus

In addition, the Council has sustained a significant capital programme, with a projected outturn for 2015/16 of £7.6m.

The Council has set its revenue budget for 2016/17, including a 1.99% council tax increase. The general fund budget has been set at £16.3m, benefitting from a windfall in business rates income of £5.4m largely arising from renewables at the Drax power station. This was earned in 2014/15 but is released as general fund income in 2015/16. The Council is uncertain how long this windfall will continue, but is setting it aside for the Council's Programme for Growth initiative.

In the budget for the HRA a key factor in the next few years will be a requirement to reduce rents by 1% per annum. The Council has still been able to set a budget for 2016/17 for the HRA which predicts a £1.5m surplus, although this will be required to support capital spending plans.

### External developments

The Council has to prepare its financial statements in line with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom. There have been a small number of changes to the Code for 2015/16, which include applying the principles of IFRS 13, meaning that some assets and liabilities held by the Council may need to be revalued on the basis of their fair value for the first time in 2015/16.

Officers are aware of the new requirements and are making preparations to address them as part of the accounts closedown process.

# 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 NAO's Code of Audit Practice. Our work is focused on those aspects of your business which we consider have a higher risk of material misstatement such as those affected 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

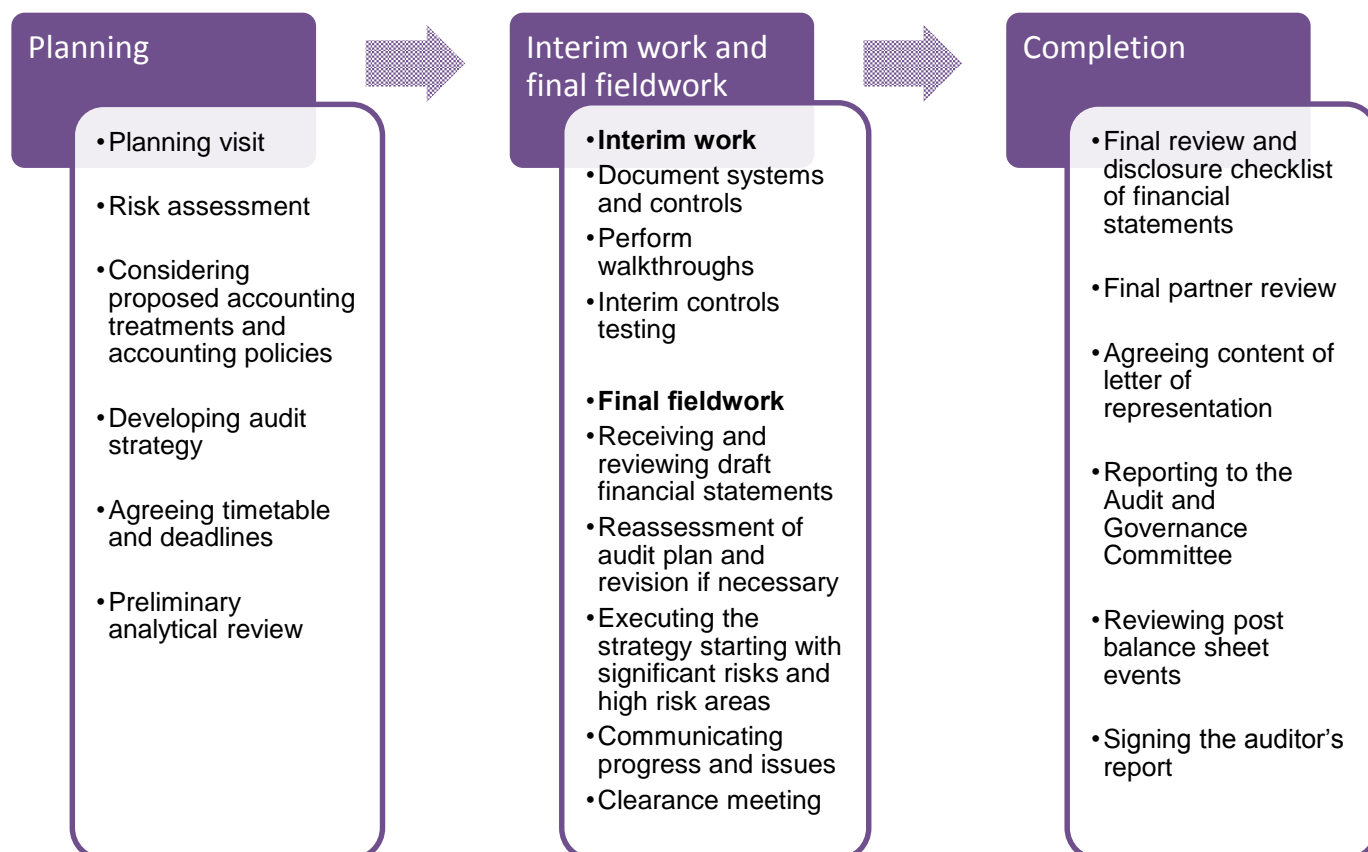
We apply a risk-based audit approach primarily driven by the matters we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment we develop our audit strategy and design audit procedures in response to this assessment. The work undertaken could 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 of internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

### Reliance on other auditors

There are material entries in your financial statements where we will seek to place reliance on the work of other auditors.

Items of account	Other auditor	Nature of assurance to obtain from the auditor
Defined benefit liability and associated IAS 19 entries and disclosures	KPMG – auditor of the North Yorkshire Pension Fund	We will agree a programme of work with KPMG and a timetable for the receipt of relevant information.

### 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 Council's finance and accountancy functions are currently being aligned more closely with North Yorkshire County Council, as part of the Better Together programme. This includes an officer from the County Council taking a lead on final accounts production for 2015/16. At the current time, we envisage having sufficient access to key personnel during this year's audit, as work on Selby's accounts is being delivered from the Council's civic centre offices.

### The work of experts

The following experts are relevant to our work for the year ended 31 March 2016.

Items of account	Management's expert	Our expert
Defined benefit liability and associated IAS 19 entries and disclosures	Actuary (Aon Hewitt) – North Yorkshire Pension Fund	National Audit Office's consulting actuary (PWC)
Property, plant and equipment valuations	External valuers (Kier and Stephensons)	National Audit Office's consulting valuer (Gerald Eve)
Disclosure of the fair value of financial instruments.	The Council uses Capita Asset Services to provide estimates of the fair value of some financial instruments.	Central assurances provided by the National Audit Office.

**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 risks

### Management override of controls

#### Description of the risk

International Standards on Auditing (ISA) 240 – The auditor's responsibility to consider fraud in an audit of financial statements requires us to consider the potential for management override because controls that may be sufficient to detect error may not be effective in detecting fraud. In all entities, management at various levels is in a unique position to perpetrate fraud because of the 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.

#### How we will address this risk

We will address this risk through performing audit work on:

- consideration and review of 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
- journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

### Pension Estimates (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 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 National Audit Office.

# 04 Value for Money Conclusion

## Scope of work

For 2015/16, we are required to conclude whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We will perform our work in this area in accordance with guidance set out by the NAO in Auditor Guidance Note 3. This requires us to consider one overall criterion which is made up of three sub-criteria.

## Overall criterion

The overall criterion set out by the NAO is as follows:

*'In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'*

Sub-criteria	Guidance
<b>Informed decision-making</b>	<ul style="list-style-type: none"><li>Acting in the public interest, through demonstrating and applying the principles and values of sound governance.</li><li>Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management.</li><li>Reliable and timely financial reporting that supports the delivery of strategic priorities.</li><li>Managing risks effectively and maintaining a sound system of internal control.</li></ul>
<b>Sustainable resource deployment</b>	<ul style="list-style-type: none"><li>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.</li><li>Managing and utilising assets effectively to support the delivery of strategic priorities.</li><li>Planning, organising and developing the workforce effectively to deliver strategic priorities.</li></ul>
<b>Working with partners and other third parties</b>	<ul style="list-style-type: none"><li>Working with third parties effectively to deliver strategic priorities.</li><li>Commissioning services effectively to support the delivery of strategic priorities.</li><li>Procuring supplies and services effectively to support the delivery of strategic priorities.</li></ul>

As part of our work, we are required to:

- review your annual governance statement;
- consider the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities; and
- carry out any risk-based work we determine appropriate.

We are not aware of any regulatory work or inspection activity that would be relevant to our audit.

Earlier in this report, we outlined the Council's predicted outturn for 2015/16 which is expected to show a better position than budgeted, the windfall in business rates and the budget position for 2016/17. Given this financial position, and the proactive measures the Council has taken to improve its services and work with others, notably North Yorkshire County Council, we have considered the risks that are relevant to our value for money conclusion and have consequently not identified any significant risks.

We will report our detailed findings in the Audit Completion Report.

# 05 Your audit team

Below are your audit team and their contact details.

Engagement lead /  
Director

- Suresh Patel
- suresh.patel@mazars.co.uk
- 020 7063 4609

Engagement senior  
manager

- Gavin Barker
- gavin.barker@mazars.co.uk
- 0191 383 6300

Team leader

- Dan Spiller
- dan.spiller@mazars.co.uk
- 0191 383 6300

# 06 Fees for audit and other services

At this stage of the audit we are not planning any divergence from the scale fees set by Public Sector Audit Appointments Ltd for the Code audit work and Housing Benefit Subsidy certification work.

Area of work	2015/16 Scale fee	2015/16 Proposed fee	2014/15 Final fee
Code audit work	44,708	44,708	59,610
Housing Benefit Subsidy certification	13,450	13,450	14,170
Non-audit work	n/a	0	0
<b>Total fees</b>	<b>58,158</b>	<b>58,158</b>	<b>73,780</b>

*Fees exclude recoverable VAT*

The reason for the reduction in the scale fee for Code audit work between 2014/15 and 2015/16, is that Public Sector Audit Appointments Ltd has passed on the 25% fee reduction arising from the final major procurement exercise undertaken by the Audit Commission before its closure in March 2015.

Non-audit work was not undertaken in 2014/15 and none is planned at present for 2015/16.

# 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, creating 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 partner.

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

We 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 provide a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

We have set materiality at the planning stage at £730k with a clearly trivial threshold of £22k below which identified errors will not usually be reported. We have set lower materiality levels for the disclosure of officer remuneration and emoluments and members' allowances 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 with you.

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

## **Form, timing and content of our communications**

We will present to the Audit and Governance 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 and Governance 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 2015/16 CIPFA Code of Practice on Local Authority Accounting (the Code) has made several changes to financial reporting requirements relevant to the Council, of which you should be aware. We provide workshops explaining these changes to which we invite officers from the Council responsible for preparing the financial statements. The workshops provide full details of the changes in the 2015/16 Code as well as a forward look to potential future accounting changes that may be of relevance to the Council.

As well as the accounting issues outlined below, we would like to draw the Audit and Governance Committee's attention to changes in the Accounts and Audit (England) Regulations 2015 that require the Council to notify us of the date on which the period for the exercise of public rights commences. 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

Highways Network Assets	How this may affect the Council
The measurement basis for the Council's Highways Network Assets will change from depreciated historic cost to depreciated replacement cost in 2016/17, but with no prior period restatement required.	It is likely that the impact of this change will be significant and that the value of relevant assets on the Council's balance sheet will increase.
Early deadlines	How this may affect the Council
The Accounts and Audit Regulations 2015 outline earlier deadlines for local authorities to produce their statements of account from the 2017/18 financial year.	The impacts of this change on local authorities and their auditors are significant and we have begun to discuss how we will meet the challenges the new dates place on us all with Council officers.
Fair Value accounting	How this may affect the Council
The Code adopts the principles of IFRS 13 in respect of measuring fair value for the first time in 2015/16.	Some assets and liabilities held by the Council may need to be revalued on the basis of their fair value for the first time in 2015/16.

**Public Session**

**Report Reference Number: A/15/21**

**Agenda Item No: 6**

---

**To:** Audit and Governance Committee  
**Date:** 13 April 2016  
**Author:** Daniel Maguire, Democratic Services Officer  
**Lead Officer:** Palbinder Mann, Democratic Services Manager

---

**Title:** External Audit Progress Report

**Summary:**

The report from the external auditor, Mazars, is provided for comment and noting.

**Recommendations:**

**To note and comment on the External Audit Progress Report.**

**Reasons for recommendation**

*The Audit and Governance Committee is required to receive and comment on reports from the external auditor.*

**1. Introduction and background**

1.1 The report has been submitted by the external Auditor, Mazars and updates the Committee on progress in delivering external audit.

**2 The Report**

2.1 The report is attached at appendix A and sets out a summary of external audit progress to date.

2.2 The report also sets out key emerging national issues and developments that may be of interest to the Committee in respect of external audit.

2.3 The Committee will have the opportunity to ask questions of officers and the external auditors at the meeting.

**3 Legal/Financial Controls and other Policy matters**

3.1 None.

**4. Conclusion**

4.1 The Committee is asked to consider and note the report.

**5. Background Documents**

None.

**Contact Officer:**

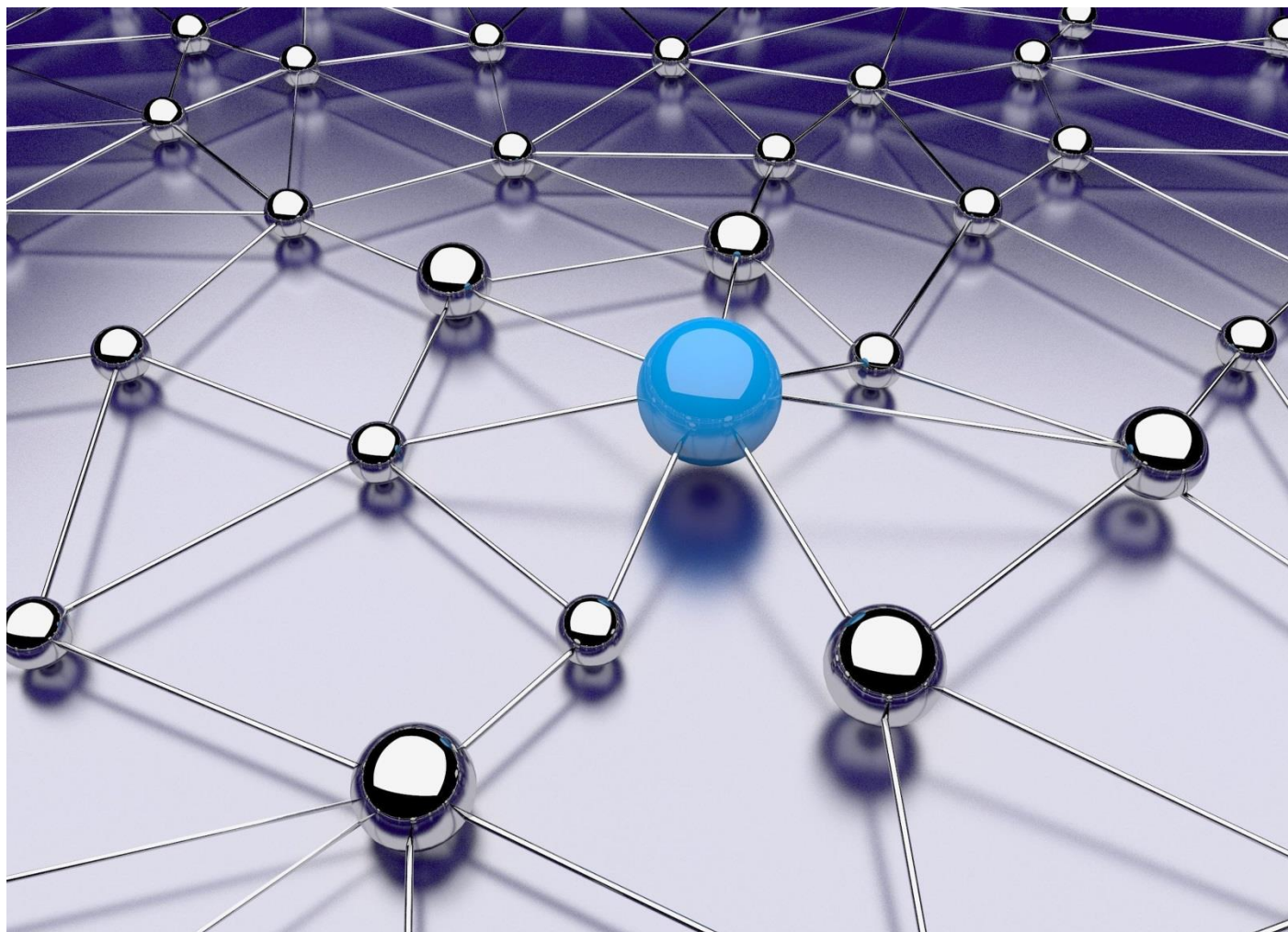
Daniel Maguire, Democratic Services Officer  
Ext: 42247  
dmaguire@selby.gov.uk

**Appendices:**

*A – External Audit Progress Report, April 2016*

# Selby District Council Audit Progress Report

April 2016



# Contents

01 Introduction.....	2
02 Summary of audit progress .....	3
03 National publications and other updates.....	5
04 Contact details.....	8
Appendix 1: Annual Grants Report 2014/15, Letter issued 2 February 2016.....	9
Appendix 2: Changes arising from the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015.....	12

*Our reports are prepared in the context of the Public Sector Audit Appointment Limited's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to Selby District Council, its Members, Directors or officers are prepared for the sole use of the audited body and we take no responsibility to any Member, Director or officer in their individual capacity or to any third party.*

# 01 Introduction

The purpose of this report is to update the Audit and Governance Committee of Selby District Council (the Council) on progress in delivering our responsibilities as your external auditors.

We have also highlighted key emerging national issues and developments which may be of interest to Committee Members.

If you require any additional information, please contact us using the details at the end of this update.

# 02 Summary of audit progress

## Annual Grants Report, 2014/15 audit

Although we reported these findings in our last Audit Progress Report, we were required by our regulator to report formally before the end of February 2016. We did this by sending the letter attached as Appendix 1 to this report to all members of the Audit and Governance Committee on 2 February 2016.

## 2015/16 planning

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.

## Accounts workshops for officers

In January 2016, Mazars provided a workshop for finance staff on accounting and auditing issues relating to the closedown and preparation of the 2015/16 statement of accounts. The workshop was well attended and well received by our clients. The Council was represented at this workshop.

## First meeting of the North Yorkshire Governance Forum

In February 2016, we also held the first meeting of our North Yorkshire Governance Forum at Mercure York Fairfield Manor Hotel. Members will recall that we established the forum for officers and Members, particularly Chairs and Vice Chairs of Audit Committees, with the aims of:

- promoting good practice in governance;
- facilitating dialogue, debate and sharing of ideas among those providing governance oversight;
- horizon scanning to ensure that the forum is briefed on the latest developments and key topical issues; and
- providing a safe and valued forum for discussion.

Most local authorities and related bodies in North Yorkshire were represented at the forum, including Selby District Council.

The topics discussed at the first meeting included:

- Audit Committee effectiveness;
- devolution; and
- future issues (horizon scanning).



There was a consensus among those attending that the forum was valuable, and a second meeting has been arranged for 8 July 2016. It is proposed that the forum will meet twice each year.

## **Changes impacting on the public inspection of the accounts**

The Accounts and Audit Regulations (2015) have made changes to, amongst other things:

- the roles and responsibilities associated with informing electors of their rights; and
- the publication of draft and audited statements of account and information that accompanies those statements.

It is now the Responsible Financial Officer's responsibility to publish a statement that includes details of the period for the exercise of public rights. It is also now the Responsible Financial Officer's responsibility to inform the auditor of the date on which that period commences; previously the auditor was responsible for 'calling the audit' and appointing a specific date on which electors could ask questions relating to the audit.

The period for the exercise of public rights must be a single period of 30 working days. Electors can only exercise their rights of inspection and objection, as set out in the Local Audit and Accountability Act 2014, during this period. The period must include the first 10 working days of July for this year's audit and, as a result, the earliest date that the audit of a local authority can be completed for 2015/16 is 15th July 2016.

The Regulations also set out the revised timetable for the preparation and audit of the Council's financial statements from 2017/18 that we have mentioned in previous audit progress reports / audit committee meetings. We continue to work closely with the Council's finance team to ensure that we both meet the revised timetable.

Further details on the requirements are set out in Appendix 2 to this report.

# 03 National publications and other updates

This section contains updates on the following:

1. **Guidance for Directors of companies partly or fully owned by the public sector, January 2016**
2. **Supporting the transition, Public Sector Audit Appointments Ltd, February 2016**
3. **Results of auditor's work 2014/2015: local government bodies, Public Sector Audit Appointments Ltd, December 2015**
4. **Cipfa: Guide to auditor panels, December 2015**
5. **Mazars: Public services blog 'Let's talk public services'**

## 1. **Guidance for Directors of companies partly or fully owned by the public sector, January 2016**

This guidance, which has been published by the Cabinet office, is to help directors of companies owned by the public sector, in full or in part, to understand their duties and responsibilities, including identifying and managing conflicts of interest. As local government and related bodies increasingly explore alternative models of service delivery, including establishing local authority trading companies, this guidance is of relevance.

<https://www.gov.uk/government/publications/guidance-for-directors-of-companies-fully-or-partly-owned-by-the-public-sector>

An additional guidance paper referred to in the Cabinet Office report is a National Audit Office paper produced in January 2015 on Conflicts of Interest. This is also of relevance to authorities that are operating in an increasingly complex environment of related entities.

<https://www.nao.org.uk/report/conflicts-interest-2/>

## 2. **Supporting the transition, Public Sector Audit Appointments Ltd, February 2016**

Public Sector Audit Appointments Ltd (PSAA) has published its Corporate Plan for the period to 2018. The Plan sets out how the company will discharge the functions delegated to it by the Secretary of State for Communities and Local Government which include managing audit contracts originally let by the Audit Commission and supporting a smooth transition to the new audit regime introduced by the Local Audit and Accountability Act 2014.

PSAA's work programme involves two parallel strands: ensuring that the existing audit contracts continue to deliver good quality and positive value for audited bodies and effective assurance to the public; and, providing as much support as possible to assist local bodies to prepare for, and be ready to meet, their new responsibilities as the legislation is fully implemented.

The plan was informed by the fact that the timetable for the expiry of the existing audit contracts is now clear. For NHS bodies and smaller local authorities (mainly parishes and internal drainage boards) existing arrangements will cover the audits up to and including 2016/17. For these bodies the new regime will therefore apply to the audits of the financial year 2017/18 and onwards. For principal local authorities and criminal justice bodies the existing arrangements are expected to run for a further year covering the audits up to and including 2017/18. For these bodies the new regime will apply to 2018/19 audits and beyond.

As part of its role in supporting local bodies to prepare for their responsibilities under the new regime, PSAA has set up on its website a dedicated Supporting the transition area containing resources to assist local public bodies in making the transition to the new arrangements.

<http://www.psa.co.uk/supporting-the-transition/>

A further important aspect of PSAA's work in relation to the new regime will involve working with the Local Government Association and the Improvement and Development Agency to explore the feasibility of PSAA seeking to become a 'sector-led body' with the ability to enter into contracts and appoint auditors to local bodies in the new regime. Further information will be provided on PSAA's website as this work progresses.

### **3. Results of auditor's work 2014/2015: local government bodies, Public Sector Audit Appointments Ltd, December 2015**

This is the first report for local government bodies published by Public Sector Audit appointments Ltd (PSAA), and it summarises the results of auditors' work at 509 principal bodies and 9,755 small bodies for 2014/2015. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors utilised their statutory reporting powers.

The timeliness and quality of financial reporting for 2014/2015 remained broadly consistent with the previous year for both principal and small bodies. Against a background of financial challenges, the sector is clearly working hard to achieve appropriate standards in its stewardship of resources.

Auditors at 97 per cent of principal bodies were able to issue the opinion on the 2014/2015 accounts by 30 September 2015, with 23 bodies receiving an unqualified audit opinion by 31 July 2015. For the second year in a row there have been no qualified opinions issued to date to principal bodies (at the time of this report being written). The number of qualified conclusions on value for money arrangements remained consistent with the previous year at 4 per cent.

For small bodies, auditors were able to issue their opinion on the annual return by 30 September 2015 at 99 per cent of parish councils and internal drainage boards. This is consistent with the previous year.

<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/reports-on-the-results-of-auditors-work/>

#### **4. Cipfa: Guide to auditor panels, December 2015**

This publication is aimed at those within local authorities who will have a role to play in deciding how and who to appoint as their organisation's local auditors.

It has been commissioned by DCLG, and a working group including DCLG, NAO, Public Sector Audit Appointments Limited (PSAA) and other stakeholders have ensured that the guidance is relevant and specific to authorities.

<http://www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf>

#### **5. Mazars: Public services blog 'Let's talk public services'**

Mazars has launched a blog 'Let's talk public services' where Mazars' team of auditors and advisors working with UK public service organisations can provide a place in which public service practitioners can exchange experience and ideas relevant to their jobs. The blog can be found here:

<http://blogs.mazars.com/lets-talk-public-services>

# 04 Contact details

Please let us know if you would like further information on any items in this report.

[www.mazars.co.uk](http://www.mazars.co.uk)

Suresh Patel  
Director  
0191 383 6300

[suresh.patel@mazars.co.uk](mailto:suresh.patel@mazars.co.uk)

Gavin Barker  
Senior Manager  
0191 383 6300

[gavin.barker@mazars.co.uk](mailto:gavin.barker@mazars.co.uk)

Address: Rivergreen Centre,  
Aykley Heads,  
Durham,  
DH1 5TS.

# Appendix 1

## Annual Grants Report 2014/15, Letter issued 2 February 2016

**Members of the Audit & Governance Committee**

Selby District Council

Civic Centre

Doncaster Road

Selby

North Yorkshire

YO8 9FT

Direct line +44 (0) 191 383 6300

 Email [suresh.patel@mazars.co.uk](mailto:suresh.patel@mazars.co.uk)

2 February 2016

Dear Members

**Results of certification work 2014-15**

We reported in our last Audit Progress Report presented to the Audit and Governance Committee on 13 January 2016 that work on the 2014/15 Housing Benefits Subsidy Claim was complete, and we certified the claim before the Department of Work and Pensions deadline of 30 November 2015.

We are required to report to you on this work and we have summarised our findings in this letter.

I am writing to members directly because the Audit and Governance Committee does not meet again until 13 April 2016.

**Results of certification work 2014/15**

For 2014/15 the only Council claim or return we were required to certify was the Housing benefit subsidy return.

In 2014/15 the Audit Commission prescribed the required testing for the Housing benefit subsidy return. On completion of the specified work we issued a certificate stating that the claim had been certified with a qualification letter. Where we issue a qualification letter or the claim or return is amended by the Council, DWP may withhold or claw-back grant funding.

Selby District Council's 2014/15 Housing benefit subsidy return was submitted with minor amendments and a qualification letter highlighting issues identified from detailed testing.

Claim or return	Value of claim	Amended	Qualified
Housing benefit subsidy	£16,511,816	Reduction of £3,879	Yes

Mazars LLP – The Rivergreen Centre - Aykley Heads - Durham - DH1 5TS  
 Tel: +44 (0) 191 383 6300 – Fax: +44 (0) 191 383 6350 – [www.mazars.co.uk](http://www.mazars.co.uk)

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308038 and with its registered office at Tower Bridge House, 81 Colindale Avenue, London NW9 1SE.

Registered by the Institute of Chartered Accountants in England and Wales to carry out audit work.



The qualification letter set out the errors identified during the audit.

The errors identified were processing errors, including errors in calculating claimants' average weekly income. We reported that if the errors we identified were extrapolated to the whole population, the impact would have been a reduction in subsidy claimed of £9k. Whilst it is important that officers continue to take steps to prevent errors from occurring, they do need to be viewed in the context of an overall claim for subsidy of £16.5m.

We reported more errors in the previous year's claim and a higher extrapolated effect, reducing subsidy payable by £30k. Officers have delivered improvements between years, and further steps are being taken to reduce processing errors further.

#### Fees

Prior to its abolition, the Audit Commission set an indicative fee for our work on the Council's Housing benefit subsidy return. We confirm that the final fee payable for this work as outlined in the table below is in line with the indicative fee. The following fee was charged for the 2014/15 work.

Claim or return	2014/15 indicative fee	2014/15 final fee	2013/14 final fee
Housing benefit subsidy	£14,170	£14,170	£17,931

The fee was lower in 2014/15, because there were fewer issues identified than in 2013/14, thereby necessitating less audit work.

Yours faithfully



Suresh Patel  
*Director and Engagement Lead*  
Mazars LLP



# Appendix 2

## **Changes arising from the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015**

Changes to legislation which sets the framework for the work we undertake on local authority statement of accounts will lead to changes in the audit process and timetable.

The relevant legislation can be found here:

The Local Audit and Accountability Act 2014:

<http://www.legislation.gov.uk/ukpga/2014/2/contents/enacted>

Accounts and Audit Regulations 2015:

[http://www.legislation.gov.uk/uksi/2015/234/pdfs/uksi\\_20150234\\_en.pdf](http://www.legislation.gov.uk/uksi/2015/234/pdfs/uksi_20150234_en.pdf)

### Arrangements for the publication and audit of the statement of accounts

The changes to legislation do not change the publication and audit process to a great degree, however there are differences that we, and our clients need to be aware of. These, and the timings involved, are set out in the table below:

	Action	Regulation	Timing (15/16 and 16/17)	Timing (17/18 onwards)
1	RFO signs and dates the statements and confirms that they present a true and fair view	9(1)(a)	Prior to publication of draft statements (see below)	Prior to publication of draft statements (see below)
2	RFO must publish (including publication on the authority's website): <ul style="list-style-type: none"> <li>• The statement of accounts and an accompanying declaration that they are unaudited and subject to change</li> <li>• The AGS (whether approved or not)</li> <li>• The Narrative Statement</li> <li>• A statement that sets out               <ul style="list-style-type: none"> <li>○ The period for the exercise of public rights</li> <li>○ Details of the manner in which notice of the intention to documents should be given</li> <li>○ The name and address of the auditor</li> <li>○ The provisions of section 26 and 27 of the LAAA 2014</li> </ul> </li> </ul>	15(2)	By 30th June* by virtue of the fact that the period for the exercise of public rights (3 below) must include the first 10 working days of July as per 15(1)(a) as adjusted by 21(b).	By 31st May* by virtue of the fact that the period for the exercise of public rights (3 below) must include the first 10 working days of June as per 15(1)(a).
3	RFO must commence the period for the exercise of public rights and notify the auditor of the date on which the period commences. The period must be a single period of 30 working days as per regulation 14(1) and must include the first 10 working days of July (for 2015/16 and 2016/17) as explained above.	9(1)(b) And 9(1)(c)	The day following the date on which the RFO has met the responsibilities in (2) above.	The day following the date on which the RFO has met the responsibilities in (2) above.

4	Following conclusion of the period for exercise of public rights the accounts must be: 1. considered by members (committee or meeting as a whole) 2. re-confirmed by the RFO on behalf of the authority that the statement of accounts presents a true and fair view before the accounts are approved 3. approved by the same committee or meeting 4. signed – this must be by the person who presides over the meeting where the accounts were considered and approved.	9(2) and (3)	By 30 <sup>th</sup> September	By 31 <sup>st</sup> July
5	The approved and audited accounts, approved AGS, and Narrative Statement, must be published (including on the authority's website)	10(1)	By 30 <sup>th</sup> September	By 31 <sup>st</sup> July
6	An authority must publish (including on the authority's website) that the audit has been concluded and that the statement of accounts has been published.	16 (1)and (2)	By 30 <sup>th</sup> September	By 31 <sup>st</sup> July

*\* The exact date will depend on when the first working day falls in July (for 2015/16 and 2016/17) and in June (for 2017/18 onwards).*

#### **Further information on public rights under the LA&A Act**

##### Period for exercise of rights

The period for questions to the auditor is now restricted to the 30 days of the inspection period, there is no appointed date for questions to the auditor. As noted above, the period must include the first 10 working days of July in for the audit years 2015/16 and 2016/17 under the transitory arrangements.

Calling the audit is no longer the responsibility of the auditor; it has been superseded by the notification of the period for public rights by the RFO (point 3 in the table above).

There is no longer a set date for questions to the auditor, but a local elector must be given the opportunity to question the auditor about the accounting records if they request it (section 26(2) of the LA&A Act). Rights of objection also remain (section 27 of the LA&A Act). All objections to the auditor must be made in writing and be copied to the authority. Regulation 14(1) makes it clear that the rights conveyed by sections 26 and 27 of the Act may only be exercised within the single 30 day period.

**This page is  
intentionally  
blank.**

**Public Session**

**Report Reference Number: A/15/22**

**Agenda Item No: 7**

---

**To: Audit & Governance Committee**  
**Date: 13 April 2016**  
**Author: Phil Jeffrey; Audit Manager (Veritau)**  
**Lead Officer: Karen Iveson; Chief Finance Officer (s151 Officer)**

---

**Title: Internal Audit Progress Report 2015/16**

**Summary:**

The purpose of the report is to provide an update on progress made in delivering the internal audit workplan for 2015/16, and to summarise the findings of recent internal audit work.

**Recommendations:**

**It is recommended that the Committee note the report.**

**Reasons for recommendation**

To support the work of the Committee in monitoring internal audit and scrutinising and monitoring control systems.

**1. Introduction and background**

- 1.1. The provision of Internal Audit is a statutory requirement (Accounts & Audit Regulations 2015).
- 1.2. The Audit Committee approved the internal audit plan for 2015/16 at its meeting held on the 15 April 2015. The purpose of this report is to inform Members of the progress made to date in delivering the 2015/16 internal audit plan and to summarise the outcomes of internal audit reviews.

**2. The Report**

- 2.1. Details of internal audit work in 2015/16 are included in the report attached at Appendix A.

2.2 Veritau carries out its work in accordance with the Public Sector Internal Audit Standards (PSIAS).

2.3 There is no direct linkage to any of the Council's Priorities, as internal audit is a support service, providing assurance on corporate governance arrangements, internal control and risk management to the Council's and Access Selby's managers in respect 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

3.1.1 There are no legal issues.

3.2. Financial Issues

3.2.1 There are no financial issues.

### **4. Conclusion**

4.1 Currently, five 2015/16 audits are at draft report stage and a further nine are either in progress or planning work has commenced. Six reports have been finalised since the last report to this committee. It is anticipated that the 93% target will be exceeded by the end of April 2016 (the cut off point for 2015/16 audits).

### **5. Background Documents**

**Contact Officer: *Phil Jeffrey Audit Manager; Veritau  
Phil.jeffrey@veritau.co.uk  
01904 552926/01757 292281***

***Richard Smith; Deputy Head of Internal Audit;  
Veritau  
Richard.smith@veritau.co.uk***

**Appendices: - Appendix A – Internal Audit Progress Report**



## Selby District Council

### Internal Audit Progress Report 2015-16



<b>Audit Manager:</b>	Phil Jeffrey
<b>Deputy Head of Internal Audit:</b>	Richard Smith
<b>Head of Internal Audit:</b>	Max Thomas
<b>Date:</b>	13 April 2016

## Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). The Head of Internal Audit is required to regularly report progress in the delivery of the internal audit plan to the Audit Committee and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 Members approved the Annual Internal Audit Plan 2015/16 at their meeting on the 15 April 2015. The total number of planned audit days for 2015/16 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 the progress made in delivering the agreed plan.

## Internal Audit Work Carried Out 2015/16

- 3 A summary of the audit work completed in the year to date is attached at **Annex A**.
- 4 Veritau officers are involved in a number of other areas relevant to corporate matters:
  - **Support to the Audit Committee**; this is mainly ongoing through our support and advice to Members. We also facilitate the attendance at Committee of managers to respond directly to Members' questions and concerns arising from audit reports and the actions that managers are taking to implement agreed actions.
  - **Contractor Assessment**; this work involves supporting the assurance process by using financial reports obtained from Experian (Credit Agency) in order to confirm the financial suitability of potential contractors.
  - **Risk Management**; Veritau facilitate the Council's risk management process and advise Access Selby on their processes.
  - **Systems Development**; Veritau attend development group meetings in order to ensure that where there are proposed changes to processes or new ways of delivering services, that the control implications are properly considered.
  - **Investigations**; Special investigations into specific sensitive issues.
- 5 An overall opinion is given for each of the specific systems under review.
- 6 The opinions used by Veritau are provided 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.



**Reasonable 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.

7 The following priorities are 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.

8 It is important that agreed actions are formally followed-up to ensure that they have been implemented. Agreed actions are recorded within Covalent therefore assurance should be gained through the performance management framework, with further testing carried out by internal audit where appropriate.

9 A total of 51 agreed actions from 2014/15 audits have been followed up with the responsible officers. 38 have been satisfactorily implemented. In a further 10 cases, the actions had not been implemented by the target date but a revised date was agreed. This is done where the delay in addressing an issue will not lead to unacceptable exposure to risk and where, for example, the delays are unavoidable (e.g. due to unexpected difficulties or where actions are dependent on new systems being implemented). These actions will be followed up after the revised target date. The remaining 5 actions agreed in 2014/15 audits have not yet been followed up either because the target dates have not yet passed or because follow up work is still in progress. A summary of this follow up work is included below:

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	38	0	10	28
Revised date agreed	10	0	6	4
Follow up in progress	3	0	0	3
Not yet followed up	2	0	0	2
<b>Total agreed actions</b>	<b>53</b>	<b>0</b>	<b>16</b>	<b>37</b>

- 10 A total of 13 agreed actions from 2015/16 audits have been followed up with the responsible officer. 3 had been satisfactorily implemented. In a further 10 cases, the actions had not been implemented by the target date but a revised date was agreed and will be followed-up after the revised target date. The remaining 13 actions agreed in 2015/16 audits have not yet been followed up because the target dates have not yet passed. A summary of this follow up work is included below:

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	3	0	0	3
Revised date agreed	10	0	4	6
Follow up in progress	0	0	0	0
Not yet followed up	13	0	5	8
<b>Total agreed actions</b>	<b>26</b>	<b>0</b>	<b>9</b>	<b>17</b>

- 11 Currently, five 2015/16 audits are at draft report stage and a further nine are either in progress or planning work has commenced. Six reports have been finalised since the last report to this committee. Details can be found at Annex A. It is anticipated that the 93% target will be exceeded by the end of April 2016 (the cut off point for 2015/16 audits).

**Annex A**

**2015/16 audit assignments status**

<b>Audit</b>	<b>Status</b>	<b>Audit Committee</b>
<b>Corporate Risk Register/Access Selby RR</b>		
Savings Delivery		
Corporate Complaints	<b>Reasonable Assurance</b>	<b>Jan 16</b>
Customer Engagement	Field work complete	
Income Generation	<b>Support/advice provided</b>	<b>Jan 16</b>
Freedom of Information	In progress	
Democratic Governance and Transparency	<b>Substantial Assurance</b>	<b>Apr 16</b>
Performance Management	In progress	
<b>Financial Systems</b>		
Housing Rents	<b>Draft report issued</b>	
Council Tax/NNDR	In progress	
Benefits	In progress	
Creditors	In progress	
Car Parking Income	<b>Memo report issued</b>	<b>Apr 16</b>
Payroll	<b>Draft report issued</b>	
General Ledger (budgetary control & reconciliations)	In progress	
Treasury Management	Cancelled <sup>1</sup>	
<b>Regularity / Operational Audits</b>		
Health and Safety	<b>High Assurance</b>	<b>Apr 16</b>
Members' Allowances	<b>Draft report issued</b>	
Recruitment	<b>Reasonable Assurance</b>	<b>Apr 16</b>
<b>Counter Fraud</b>		
Counter Fraud Arrangements	<b>Reasonable Assurance</b>	<b>Apr 16</b>
Whistleblowing Policy	<b>Support/advice provided</b>	<b>Jan 16</b>
<b>Technical / Project Audits</b>		
ICT – Disaster recovery	In progress	
ICT – Server Room Security	<b>Draft report issued</b>	
ICT – PCI DSS compliance	<b>Action Plan Agreed</b>	<b>Apr 16</b>

<sup>1</sup> Time was re-allocated to the Payroll audit

Audit	Status	Audit Committee
Programme for Growth Procurement	<b>Draft report issued</b> In progress	
Business Transformation	Ongoing support/advice	
Better Together <sup>2</sup>	Cancelled	
Information Governance	In progress	
Information Security Checks	<b>Reasonable Assurance</b>	<b>Jan 16</b>
<b>Follow Ups:</b>	Updates provided to Audit Committee	

---

<sup>2</sup> Time was re-allocated to a specific piece of work requested by the Chief Executive

Summary of progress against key actions; audits previously reported to this committee

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>3</sup>	Progress against key actions
Partnerships (2014/15)	Reasonable Assurance	<p><b>Strengths</b> The two partnerships that were reviewed were found to have adequate governance arrangements in place</p> <p><b>Weaknesses</b> Reviews are not regularly undertaken to confirm whether it is appropriate for a partnership mandate to be in place or whether the partnership was delivering the desired outcomes for the council.</p>	31 July 2015	<p>A reference to the review of partnering arrangements (at least every five years) will be included within the Partnership Toolkit – with the extent and frequency of that review to be determined by reference to the nature/scale/risk associated with each individual partnership.</p> <p>The partnership toolkit will be attached to the council's shared filing area to ensure it can be accessed by council officers.</p>	<p>Due 31 Oct 2015</p> <p>The toolkit has been re-drafted and will be taken to a Management Team meeting for review before being published. Revised date agreed of 30 Apr 2016.</p>
PCI DSS Compliance (2014/15)	No Opinion Given.	<p><b>Strengths</b> Initial steps have been taken towards</p>	5 <sup>th</sup> August 2015	<p>This was a memo report. A full audit was planned; however weaknesses were</p>	<p>Due 31 Oct 2015</p> <p>An action plan has been agreed with</p>

<sup>3</sup> Priority 2 or above

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>3</sup>	Progress against key actions
		<p>achieving compliance, such as the implementation of the Northgate PARIS web-based system in particular.</p> <p><b>Weaknesses</b></p> <p>The council has weaknesses to address including a lack of documented responsibility for compliance, a definition of the cardholder data environment, a lack of policies and procedures and compliance assurance from third parties along with non-completion of annual self-assessment questionnaires.</p>		<p>identified at an early stage. Advice has been provided and a full audit is now planned for later in 2015 once the council has had an opportunity to implement the recommendations.</p>	<p>implementation dates due of April 2016. PCI DSS will be included in the audit plan for 2016/17.</p>
General Ledger (inc Budgetary	Substantial Assurance		1 <sup>st</sup> September 2015	The existence of the reconciliations issue has	Due 31 Dec 2015 The 2015/16 audit

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>3</sup>	Progress against key actions
Control and Bank Reconciliation) (2014/15)		<p>authorisation and uploading of virements were sound, with adequate supporting documentation being held or available and posting permissions suitably restricted.</p> <p><b>Weaknesses</b></p> <p>Significant delays were observed in the completion and return of system reconciliations to Finance and, on some occasions, in Finance's verification of reconciliations following receipt. It is noted that the situation had shown some improvement from 2013/14 but the timeliness of these reconciliations remains</p>		<p>been recognised by Finance and highlighted as a priority.</p> <p>Work is ongoing to ensure that these are kept up to date.</p> <p>The intention over the longer term is to train staff in Business Support to take over the administration of this task in order to free up capacity within Finance for other tasks. Finance will retain overall responsibility, however.</p>	is currently in progress and the area identified is being re-tested.

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>3</sup>	Progress against key actions
Corporate Complaints	Reasonable Assurance	<p>a concern.</p> <p><b>Strengths</b> The system in place accurately reflects the guidance provided by the ombudsmen.</p> <p>Systems in place outline responsibilities: ensuring complaints are handled by independent staff with relevant authority, with a timely initial response and resolution.</p> <p>The process is readily accessible to customers.</p> <p><b>Weaknesses</b> Policy/ procedure notes</p>	12 November 2015	<p>Policy &amp; procedure notes will be updated to reflect working practices. A review schedule will be established to keep P&amp;P notes up to date.</p> <p>During policy review, stage 1 and 2 acknowledgement and response times will be clarified, particularly “first working day”.</p>	Due 30 June 2016



Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>3</sup>	Progress against key actions
		do not reflect working practices / are out of date.			
		The complaints process is not sufficiently publicised.			
		Deadlines for the acknowledgement of, and response to, complaints are not always accurate, or met.			
		Recording of performance data could be improved.			
Access Controls:	Reasonable	<b>Strengths</b>	3rd December	IT will liaise with HR to	Due 1 Jan 2016

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>3</sup>	Progress against key actions
Windows Network and Finance System (2014/15)	Assurance	<p>The introduction of a new user request form in November 2014 was a positive step towards better control of network user accounts.</p> <p>We also found that network and COA password settings are in practice good.</p> <p><b>Weaknesses</b></p> <p>There is still an informal process for COA user management.</p> <p>There is a lack of a formal policy to govern the council's required</p>	2015	<p>send a monthly summary of leavers and internal movers to IT, to prevent changes being missed.</p> <p>Network permissions will be reviewed and revalidated at the point of changing IT provision.</p> <p>We will arrange for a list of non-SDC users to be cross-checked to staff records. Any additional non-SDC users to be queried and added to list or removed as necessary.</p>	<p>Completed - Each month, a list of council leavers and internal transfers is sent by Business Support to IT.</p> <p>Due 1 Feb 2016 A pilot is currently underway in Business Support ahead – revised date of 1 May 2016</p> <p>Due 1 Jan 2016 Not yet completed – revised date of 1 May 2016</p>

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>3</sup>	Progress against key actions
		standards for passwords, and there are issues with some aspects of user account management, particularly regarding changes to network permissions and control of users who have access to SDC networks but are not directly employed by the council itself.		IT to notify HR of any future requests for access by non-SDC users so that they can be recorded in the list. Future requests for access by non-SDC users to include an end date whenever appropriate, which will be set in Active Directory, so that accounts will be automatically disabled after that date.	Due 1 Jan 2016 Completed - IT now inform HR whenever they receive a user access request from non-SDC users and seek approval before setting up a profile.
				IT to log all requests for remote access in the service desk. Any unauthorised requests will continue to be rejected. Remote access permissions will be reviewed and revalidated at the point of changing IT provision.	Due 1 Feb 2016 Completed - IT now regularly checks remote user access as the council only has 150 licences and is currently using 141. All requests for

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>3</sup>	Progress against key actions
				<p>Actions will depend to some extent on how partnership arrangements develop, but the council will investigate whether it is possible to change this password [COA Administrator password] and then disable the account, having delegated the appropriate privileges to individual administrators, so that they can perform day to day tasks using their own accounts, for which they are responsible.</p> <p>The password will be removed from the guidance notes, whether it is</p>	<p>remote access will come through the service desk, are logged and the list of users is reviewed each month.</p> <p>Due 1 Feb 2016</p> <p>Completed - The password for the eFinancials security module is the supplier's standard one. Due to the system being accessed on multiple sites it has been decided not to change the password, not least because it would allow the supplier to intervene in</p>

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>3</sup>	Progress against key actions
				<p>changed or not, and to be stored securely e.g. in a digital vault.</p> <p>User permissions will be reviewed when the council changes to a new system in conjunction with its prospective partner. How to manage user permissions will also be considered at this point.</p> <p>The council hopes to have a better understanding of how this will develop in the timescale indicated.</p>	<p>extreme circumstances.</p> <p>However, reference to the password has been removed from the COA guidance notes.</p> <p>Due 1 Feb 2016</p> <p>The council has not yet made the decision as to whether or not it will implement a new main accounting system and is currently reviewing the potential to use a scaled-down version of the Oracle system as part of the Better</p>

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>3</sup>	Progress against key actions
Information Security Checks	Reasonable Assurance	<p><b>Strengths</b></p> <p>Overall, the council is reasonably well protected against accidental disclosure of information. The Civic Centre office areas are not accessible without a staff security pass and within the offices most information is stored in cupboards.</p> <p><b>Weaknesses</b></p> <p>Lockable storage is</p>	16th December 2015	<p>An action plan will be produced to address the information security weaknesses identified in the report. This will include reminders to staff on maintaining information security and arrangements to ensure sufficient secure storage is available where needed within the Civic Centre.</p>	<p>Together Collaboration with NYCC – revised date agreed of 30 Sep 2016</p> <p>Due 31 Jan 2016 Implementation has been delayed due to the organisational review; a revised date will be agreed.</p>

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>3</sup>	Progress against key actions
		<p>being left unlocked throughout the offices, the clear desk policy is not being followed by all staff and a significant number of council assets are unsecured</p> <p>In addition, some service areas that hold sensitive personal information should have security measures that protect this information from all staff that do not need access to it; this includes other council staff, cleaning staff and partners that share the office space.</p>			

Summary of audits completed to 21 March 2016; previously not reported

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>4</sup>	Progress against key actions
Counter Fraud Arrangements	Reasonable Assurance	<p><b>Strengths</b> Overall, it was found that the council does have systems in place that do, in part at least, meet the principles within the Cipfa Counter Fraud Code of Practice</p> <p><b>Weaknesses</b> Following the assessment against each of the 5 cipfa principles it is felt that the council could take further action to increase the degree to which it meets best practice for adhering to these principles.</p>	22 <sup>nd</sup> December 2015	The Anti-Fraud, Theft and Corruption Policy and Strategy will be reviewed, revised and re-launched. This will be done alongside other actions and communications to raise awareness of fraud risks and to promote a fraud aware culture. The council will decide whether a councillor will be explicitly given portfolio responsibility for fraud.  The re-launched counter fraud strategy will set out arrangements for annual reporting and this report will be written as a report on delivery against the strategy in the preceding year and include details of	Due 31 Aug 2016

<sup>4</sup> Priority 2 or above



Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>4</sup>	Progress against key actions
				<p>action to be taken in the year ahead and assessment of resource availability to deliver the strategy.</p> <p>Plans will be developed to raise awareness of fraud risks, the council's revised policy and strategy and whistleblowing procedures. This could include specific training sessions, e-learning (e.g. whistleblowing), corporate communications (posters, team brief email, OMG/BMG/Directors meeting agenda items) as well as the existing annual reporting mechanisms.</p> <p>Management job descriptions will be reviewed for areas where fraud risks have been</p>	Due 31 Aug 2016

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>4</sup>	Progress against key actions
				<p>identified and these job descriptions will explicitly include counter fraud responsibilities.</p> <p>A process of reviewing risk registers has recently been started. This will include treating fraud and corruption risks as a corporate risk, which will be assessed by all services (as happens with areas like health and safety risk).</p> <p>It will also ensure there are mechanisms to escalate service risks to the corporate risk register.</p>	Due 31 Aug 2016
Car Parking Income	No Opinion Given	Through discussion with the Lead Officer (Community Support Teams) and Team Leader (Customer Contact Centre) it was established that there	19 <sup>th</sup> January 2016		

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>4</sup>	Progress against key actions
		<p>had been no change in the Car Park Income procedures since the last audit was carried out.</p> <p>The Lead Officer (Community Support Teams) is currently reviewing the situation and in the meantime the Community Warden remains collecting and counting the car park income.</p>			
Recruitment	Reasonable Assurance	<p><b>Strengths</b> The recruitment process was found to be generally working well. Employment references and manager approval had been routinely obtained</p>	5 <sup>th</sup> February 2016	The council's Recruitment and Selection Manual is already in the process of being updated. Once this is finalised, it will be circulated via email to all employees involved in recruitment. The email will also draw attention to important	Due 31 Mar 16

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>4</sup>	Progress against key actions
		<p>from the most suitable referees, often on the council's well designed reference request pro forma, and were timely.</p> <p><b>Weaknesses</b></p> <p>It was not possible to confirm that all pre-employment clearances had been obtained. Additionally, where clearances had been obtained, these were not always timely or certified where appropriate.</p> <p>The Recruitment and Selection Manual was reviewed and found to be outdated both in terms of current practices and the wider legislative context surrounding</p>		<p>changes to the manual and remind officers that HR will not allow successful candidates to commence employment with the council until all necessary clearances have been obtained.</p> <p>The council's Recruitment and Selection Manual is already in the process of being updated. Once this is finalised, it will be circulated via email to all employees involved in recruitment. The email will also draw attention to important changes to the manual and remind officers that HR will not allow successful candidates to commence employment with the council until all necessary clearances have been obtained.</p>	<p>Due 31 Mar 16</p>

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>4</sup>	Progress against key actions
		<p>recruitment.</p> <p>Authorisation to Recruit forms are not providing the control over the recruitment process as intended, with some being completed only after recruitment has started.</p>		<p>In the body of the email to which the revised Recruitment and Selection Manual will be attached, text will be included to remind officers of the importance of completing an Authorisation to Recruit form before recruitment begins.</p>	<p>Due 31 Mar 16</p>
<p>Health &amp; Safety</p>	<p>High Assurance</p>	<p><b>Strengths</b> A lot of work has been undertaken on health and safety within the last twelve months, including producing a new health and safety policy. A new corporate lone working procedure was developed and put in place in spring 2015 and this is currently</p>	<p>1<sup>st</sup> March 2016</p>		

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>4</sup>	Progress against key actions
Democratic	Substantial	<p>being embedded across the council.</p> <p><b>Weaknesses</b></p> <p>Part of the overall health and safety work plan includes reviewing and refreshing risk assessments. Currently these are not necessarily in place or up to date for lone working and this area has therefore been raised as a finding below. The documenting of these risks will help map actual processes to the procedure and provide assurance to management over compliance with the procedure.</p>	15 <sup>th</sup> March		

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>4</sup>	Progress against key actions
Governance & Transparency	Assurance	<p>Notice of key decisions had been provided in all instances, overall governance of committees and their meetings was good and all relevant rules of the constitution were observed.</p> <p>Review of the council's website found that the information relating to democratic processes was well presented, accessible and easily understood resulting in an acceptable level of transparency.</p> <p><b>Weaknesses</b> The council has not published its senior officers' declaration of interests and thus is not fully compliant with the requirements of the</p>	2016		

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>4</sup>	Progress against key actions
		Information Commissioner's Office (ICO) model publication scheme.			



**Public Session**

**Report Reference Number: A/15/23**

**Agenda Item No: 8**

---

**To: Audit & Governance Committee**  
**Date: 13 April 2016**  
**Author: Phil Jeffrey; Audit Manager (Veritau)**  
**Lead Officer: Karen Iveson; Chief Finance Officer (s151 Officer)**

---

**Title: Internal Audit and Counter Fraud Plan 2016/17**

**Summary:**

The purpose of this report is to present the proposed Internal Audit and Counter Fraud Plan for 2016/17.

**Recommendation:**

**It is recommended that the Internal Audit and Counter Fraud Plan for 2016/17 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 best practice as set out in the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards.

**1. Introduction and background**

- 1.1 This document sets out the planned 2016/17 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 2015 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 aligned to the Council's main strategic risks. The audit plan is however 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. 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 493 days for 2016/17. This includes 355 days for internal audit, which is in line with last year's plan. A total of 105 days counter fraud work is also included, and 33 days to support the council's risk management arrangements.

## **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, providing assurance on corporate governance arrangements, internal control and risk management to the Council's and Access Selby's managers in respect of their services, and specifically to the Council's S151 Officer on financial systems.
- 3.1.3 Internal Audit examines all aspects of the Council's work and accordingly links to all of the Council's Priorities.

### **3.2 Financial Issues**

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

## **4. Conclusion**

- 4.1 The Internal Audit plan has been drafted in consultation with the Chief Finance Officer (s151), as well as other senior officers, and taking account of the external auditor's views.
- 4.2 It represents an appropriate plan which is informed by the Council's main strategic risks.

**5. Background Documents**

None

**Contact Officer:**

Phil Jeffrey  
Audit Manager  
Veritau  
01904 552926 / 01757 292281  
Phil.jeffrey@veritau.co.uk

**Appendices:**

Attached – SDC Internal Audit and Counter Fraud Plan 2016/17



## **Selby District Council**

# **Internal Audit and Counter Fraud Plan 2016/17**

**Audit Manager:**  
**Deputy Head of Internal Audit:**  
**Head of Internal Audit:**

Phil Jeffrey  
Richard Smith  
Max Thomas

**Circulation List:**

Members of the Audit Committee  
Chief Executive  
Chief Finance Officer (S151 Officer)

**Date:** 13 April 2016



## Introduction

- 1 This document sets out the planned 2016/17 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 2015 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 informed by the council's main strategic risks. This is intended to ensure limited audit resources are prioritised towards those systems which are considered to be the most risky and/or which contribute the most to the achievement of the council's priorities and objectives. The audit plan is however a working document and changes are made throughout the year to reflect changes in risk and any issues that arise.
- 4 Veritau now provides a counter fraud service to the council and an indicative plan of days is included within the 2016/17 programme of work.
- 5 The content of the audit plan has been subject to consultation with senior officers and is submitted for formal approval by the Audit Committee who is 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.
- 6 The plan is based on a total commitment of 493 days for 2016/17. This includes 355 days for internal audit, which is in line with last year's plan. A total of 105 days counter fraud work is also included, and 33 days to support the council's risk management arrangements.

## 2016/17 Plan

- 7 The Audit Plan for 2016/17 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 are effective.
- 8 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.
  - **Financial 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 affect the delivery of services.
- **Counter Fraud;** to provide a mix of pro-active and re-active support to the council on fraud related matters
- **Risk Management Facilitation;** to provide support, advice and training in relation to the risk management in the council. This will also include reviewing the annual risk management strategy.
- **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.

9 Details of the 2016/17 plan are set out in Appendix A.

## Appendix A

### Internal Audit and Counter Fraud Plan 2016/17

#### Corporate Risk Register

Risk No	Risk	Audit	Scope	Days
003	The council's financial position is not sustainable.	Savings Delivery	A review of the progress made on savings delivery projects. This will build on the work undertaken in 2015/16.	10
004	Unable to access the right skills at the right time.	Organisational Development	A review of the effectiveness of managing the new change; in particular communicating the new structure and engaging with staff.	15
008	Poor net economic growth.	Income Generation	A review of arrangements and proposals to generate additional income for the council. This will build on work carried out in 2015/16.	15
010	Partnerships do not deliver outcomes to support the Council's strategic objectives	Programme for Growth	A review of a sample of projects included in the council's Programme for Growth scheme.	10
011	Lack of Community Capacity.	Partnership Arrangements	A review of the corporate arrangements for partnerships and that individual partnerships are achieving the required outcomes for the council.	12
011	Lack of Community Capacity.	CEF Governance	A review of the governance arrangements for the Community Engagement Forums including the awarding of grants.	12

## Financial Systems

Audit	Scope	Days
Council Tax/NNDR	To review the key risks/controls for the setting and collection of local tax including estimation techniques for business rate reliefs.	12
Sundry Debtors	A review of the systems for raising debtor invoices and collecting income, credit control, and debt recovery arrangements.	12
Benefits	To review the key risks/controls involved in awarding and paying benefits including the Council Tax Support Scheme.	12
Council House Repairs	To review the risks and controls employed to administer the council's housing repairs system.	15
Creditors	To review the key risks/controls surrounding the payment of Creditors invoices.	12
General Ledger (budgetary control & reconciliations)	A review of the budget setting, monitoring processes and reconciliations including virements and journal transfers.	12
Capital Accounting	To review the treatment of assets and capital expenditure, ensuring they are in line with established accountancy policies and best practice guidelines.	15
		<b>90</b>

## Regularity Audits

Audit	Scope	Days
Absence Management	A review of arrangements for managing absences.	10



Data Quality	An audit of systems for capturing key performance data, to ensure information used for management of the organisation is robust.	15
Development Management	An audit of the planning services offered by the council.	15
Housing Development	A review of the council's strategies and approach towards housing development.	15
		<b>55</b>

## Counter Fraud

Audit	Scope	Days
Counter Fraud General	An allocation of time to monitor changes to regulations and guidance, to review counter fraud risks, and support the council with maintenance of the counter fraud policy framework. This will include completion of the annual counter fraud risk assessment.	15
Proactive Work	An allocation of time to raise awareness of counter fraud issues and procedures for reporting suspected fraud. This will include targeted proactive counter fraud analysis.	15
Reactive Investigations	An allocation of time to provide support, advice and recommendations on cases which may be appropriate for investigation as well as investigation of those cases and recommendations on subsequent actions.	30
National Fraud Initiative (NFI)	An allocation of time for organisation of NFI data submission and investigation of subsequent matches.	15
DWP Liaison	An allocation of time to undertake system interrogation and provision of information for the DWP's Single Fraud Investigation Service (SFIS).	30
		<b>105</b>

## Technical/Project Audits

Audit	Scope	Days
Better Together	A review of the Better Together programme, including the governance arrangements and achievement of outcomes for the council.	15
Business Transformation	An allocation of time to provide support and advice to ongoing Business Transformation within the council. This will focus on whether services are providing value for money; specific work will be agreed with officers during the year.	10
Contract Management	A review of individual contract management arrangements. The specific contracts will be agreed with officers during the year.	15
ICT	A review of key ICT risks and controls. The specific area will be agreed with officers during the year.	10
IDEA Data Matching	An allocation of time for IDEA data matching.	5
Information Security	An allocation of time to review key information security risks. The specific areas will be agreed with officers during the year.	5
PCI DSS	An allocation of time to follow-up progress against issues previously identified in relation to the Payment Card Industry Data Security Standard (PCI DSS).	5
Project Management	An allocation of time for an audit of project management arrangements within the council as well as specific project support which will include the council's ongoing e-procurement project.	20
<b>Client Support &amp; Advice</b>		<b>85</b>
Area		Days

Financial Appraisals and Tender Openings	5
Committee Preparation & Attendance including Annual Governance Statement	10
External Audit Liaison	2
Miscellaneous Advice	3
Member & Officer Training	3
Corporate Issues (including audit planning and client liaison)	8
Risk Management Facilitation	33
<b>Other</b>	<b>64</b>

Area	Days
Contingency	8
Follow Ups	12
	<b>20</b>
	<b>493</b>

**This page is  
intentionally  
blank.**

**Public Session**

**Report Reference Number: A/15/24**

**Agenda Item No: 9**

---

**To:** Audit and Governance Committee  
**Date:** 13 April 2016  
**Author:** Daniel Maguire, Democratic Services Officer  
**Lead Officer:** Palbinder Mann, Democratic Services Manager

---

**Title:** Audit and Governance Committee Annual Report 2015/16

**Summary:**

A draft Annual Report is provided for the Committee's consideration and approval.

**Recommendations:**

- i. To approve the Audit and Governance Committee Annual Report 2015/16; and**
- ii. To delegate authority to the Democratic Services Officer in consultation with the Chair, to update the Appendix prior to publication to reflect the work undertaken at the final meeting of the municipal year.**

**Reasons for recommendation**

*The Audit and Governance Committee is required, under Article 6 of the Constitution, to prepare an Annual Report reviewing its work during the previous municipal year.*

**1. Introduction and background**

- 1.1 Article 6 of the Constitution requires the Audit and Governance Committee to prepare an Annual Report which should review its work during the previous municipal year.

## **2 The Report**

- 2.1 A draft Annual Report is attached at Appendix A. This has been drafted by the Chair and the Democratic Services Officer and it is now available for the Committee to consider.
- 2.2 The Report has been structured in three sections:
- An introduction from the Chair
  - A summary of the membership, role and work of the committee
  - An appendix comprising a retrospective work programme and summary of decisions for 2015/16
- 2.3 The Committee is asked to consider any amendments and then approve the report for publication.
- 2.4 The Committee is also asked to delegate authority to the Democratic Services Officer, in consultation with the Chair, to amend the appendix in relation to the outcomes of the final meeting of the municipal year prior to publication.

## **3 Legal/Financial Controls and other Policy matters**

- 3.1 None.

## **4. Conclusion**

- 4.1 The Committee is asked to approve the draft Annual Report 2015/16 to comply with the requirement of Article 6 of the Constitution.
- 4.2 The Committee is further asked to delegate authority to the Democratic Services Officer, in consultation with the Chair, to update the appendix to the Annual Report to reflect outcomes following the final meeting of the year.

## **5. Background Documents**

None.

### **Contact Officer:**

Daniel Maguire, Democratic Services Officer  
Ext: 42247  
dmaguire@selby.gov.uk

### **Appendices:**

*A – Draft Audit and Governance Committee Annual Report 2015/16*



## **Audit and Governance Committee**

### **Annual Report 2015/16**

## **Introduction from the Chair – Councillor Mike Jordan**

I am pleased to present the Audit and Governance Committee Annual Report 2015/16.

The overall responsibility of 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 membership of the Committee changed completely from the previous municipal year, and this was recognised with a focus on training and member development. I would like to thank Councillor Pearson, for his work as the previous Chair and for his support and assistance at the start of the municipal year. The Committee was fortunate to have excellent officer support to help guide it through complex reports. In addition, as Chair, I was able to attend a number of county-wide briefings and forums which assisted me in my role.

The Committee met five times during the municipal year and considered a range of different issues. The Committee's Work Programme ensured a strong focus on the priorities of the Council and the concerns of local people, this included regular reviews of audit reports and risk management systems.

One of the five Committee meetings was a special meeting to consider amendments to the Constitution.

I would like to thank all members of the Audit and Governance Committee for their support and continued hard work. Many people have contributed to the work of the Committee, including officers and external partner organisations. I would like to put on record my thanks to them.

I am confident that the audit and governance of Selby District Council is robust and I look forward to the next municipal year.



**Councillor Mike Jordan**  
Chair, Audit and Governance Committee  
13 April 2016



# Audit and Governance Committee Annual Report 2015/16

## The Audit and Governance Committee

Following a review by the Local Government Boundary Commission for England, the size of the Council reduced in May 2015 from 41 councillors to 31 councillors. To reflect the reduction in the size of the Council, membership of the Audit and Governance Committee was set at seven. During 2015/16 the Committee comprised the following members, all of whom had not served on the Committee during the previous year:

### Conservative

Cllr. M. Jordan (Chair)  
Cllr. I. Reynolds (Vice-Chair)  
Cllr. K. Arthur  
Cllr. D. Buckle  
Cllr. J. Chilvers

### Labour

Cllr. A. Thurlow  
Cllr. P. Welch

The committee met five times during the year, including a special meeting in July to consider amendments to the constitution.

Officer support was provided by:

- Karen Iveson, Executive Director (and s151 Officer)
- Daniel Maguire, Democratic Service Officer

Representatives of both internal audit (Veritau) and external audit (Mazars) were in attendance at every meeting and the appropriate Council officers were also present at relevant meetings to answer questions from the committee. In addition the Chair has been able to maintain a dialogue throughout the year with Veritau and Mazars.

## The Role of the Audit and Governance Committee

The Audit and Governance 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 and comment on, 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.

## **2015/16 Work Programme**

During 2015/16 the Audit and Governance 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);
- the work of the internal auditor (Veritau);
- proposed amendments to the Council's Constitution;
- 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.

## **Member Development**

The nature of the committee's work requires a high level of knowledge of the Council's control framework and financial arrangements. In order to ensure members of the committee developed the skills and knowledge necessary to fulfil their role a variety of training and development opportunities were provided throughout the year. Attendance at these sessions was very high.

- **June** – members were given an introduction to risk management, which was led by Gail Stormont (Veritau). This covered all aspects of the risk management process at Selby District Council, including risk registers, and the risk matrix. The Committee was provided with copies of the Risk Management Strategy, Information Risk Management Policy and the Risk Management Guidance.
- **September** – members attended a development session prior to the Committee meeting. The session focussed on scrutiny of the accounts.
- **October** – the Chair attended audit training organised by Mazars in conjunction with North Yorkshire County Council.
- **January** – members attended a development session prior to the Committee meeting, which was presented by the Audit Manager (Veritau) and was focussed on risk management.

- **February** – the Chair attended an Audit Forum with Audit Committee Chair's from neighbouring authorities. This was an opportunity to share experiences and best practice.

Looking forward to 2016/17 the Committee is keen to further develop its skills and knowledge. To help achieve this, the Committee has requested that training sessions be provided before each meeting to maximise attendance. The theme of the training will reflect the Committee's work programme. The Chair will encourage attendance at these member development sessions to ensure that the Committee is adequately equipped to fulfil its role effectively.

## **Conclusion**

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

## Audit and Governance Committee Work Programme Review – 2015/16

Topic	Outcome
17 June 2015	
Work Programme 2015/16	The Committee considered the Work Programme for the 2015/16 municipal year, and asked that it be included on the agenda of all future meetings to ensure that the Committee was able to monitor progress effectively throughout the year.
Internal Audit Annual Report	The Committee considered the Internal Audit Annual Report from Veritau. It was noted that the Council provided 'Substantial Assurance' in respect of risk management, governance and the control framework. Some weaknesses had been identified in respect of Taxi Licensing, Partnerships, IT access controls and the compliance with the Payment Card Industry Data Standard (PCI DSS), but actions were in hand to resolve these. There were nine audit reports at draft stage and six that have been finalised since the previous report to the Committee. In total 97.6% of reports had been completed to draft stage by the end of April 2015, which exceeded the target of 93%. The Committee approved the report.
Amendments to the Constitution	The Committee considered a report from the Solicitor to the Council, which proposed a number of changes to the Constitution. In addition to some amendments that were required in response to legislative changes, other proposals related to the revised governance arrangements for Community Engagement Forums and a review of the Planning Code of Conduct. The Committee undertook a robust analysis of the proposals and recommended approval of those amendments required due to legislative changes, and asked to undertake further analysis of the remaining amendments.
Risk Management Annual Report	The Committee considered the Risk Management Annual Report for 2014/15. It was confirmed that progress had been made in developing risk management and work to ensure continuing proactive risk management would continue during 2015/16. The Committee noted the report 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, which showed a reduction in the number of risks with a score of 12 or more since the previous report in January 2015. In total there were fifteen risks on the register, which was a reduction of one since the previous report. It was confirmed that there were mitigating actions in place to control these risks and that these were closely monitored on an on-going basis. The Committee was advised that risks were formally reviewed by the senior officers on a quarterly basis and by the Committee twice a year. The Committee noted the report and endorsed the actions of officers in furthering the progress of risk management.

Review of the Access Selby Risk Register	The Committee reviewed the latest Access Selby Risk register which confirmed a reduction in the number of risks with a score of 12 or more. This represented no change on the previous position. In total there were sixteen risks on the register. It was confirmed that there are mitigating actions in place to control these risks and that these are closely monitored on an on-going basis. The Committee noted the report and endorsed the actions of officers in furthering the progress of risk management.
<b>16 July 2015 (Special Meeting)</b>	
<b>Topic</b>	<b>Outcome</b>
Constitutional Changes	The Committee considered the two proposed amendments to the Constitution that it had asked to be deferred from the meeting on 17 June 2015. These amendments related to the revised governance arrangements for Community Engagement Forums and a review of the Planning Code of Conduct. The Committee undertook a robust analysis of the proposals and was able to put questions to the Solicitor to the Council and the Executive Director (Communities). The Committee recommended that Council approve the amendments subject to consideration being given to five points relating to the Community Engagement Forums and six points relating to the Planning Code of Conduct.
<b>29 September 2015</b>	
<b>Topic</b>	<b>Outcome</b>
Annual Governance Statement	The Committee considered the Annual Governance Statement 2014/15. It was confirmed that the Statement set out the framework for efficient control and governance. The Committee considered various issues outlined in the appendix of the report, including compliance with the Payment Card Industry Data Security Standard, the Executive Director (s151) explained that the recommendations stated in the report would be taken forward. The Committee approved the Annual Governance Statement.
Statement of Accounts 2014/15	The Committee considered the Statement of Accounts for the 2014/15 financial year. It was noted that the figures for Business Rate income had been revised in response to the conversion of Drax Power Station to bio-mass. Due to the late change, which was outside the control of officers, the accounts had not been approved by the Auditors. The Committee approved the Statement of Accounts, subject to the account being approved by the Auditors. <i>It was confirmed the next day that the Auditors had approved the accounts.</i>
Audit Completion Report	The Committee considered the Annual Completion Report from the external Auditors. It was noted that assurance had now been received. The Committee noted the report.

Counter Fraud Annual Review	The Committee reviewed the Counter Fraud Annual Report. It was confirmed that the Council followed good practice guidelines from both the Chartered Institute of Public Finance and Accountancy (CIPFA) and the 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 the corporate agenda and to be vigilant in managing the risk of fraud.
Internal Audit Progress Report	The Committee reviewed progress against the Internal Audit Plan and noted progress to date.
<b>13 January 2016</b>	
<b>Topic</b>	<b>Outcome</b>
Information Governance	The Committee considered the report which updated members on progress relating to Information Governance during 2015. It was noted that the report followed on from an internal review of Information Governance that had been undertaken in March 2014. A number of actions had been agreed in response to the review, and that these had been completed during 2015. Further issues had been identified and actioned during the year, including in respect of information sharing agreements, information security checks, data protection and Freedom of Information. The Committee were able to ask questions of the Solicitor to the Council. It was confirmed that the Council was confident that existing procedures were sufficiently robust to meet the requirements of the Information Commissioner, but that independent verification would be sought by way of an internal audit. The Committee noted the report.
Annual Governance Statement – Action Plan Review	The Committee reviewed progress against the Annual Governance Statement Action Plan. The report confirmed that progress had been made against agreed actions, but that there had been some delays regarding some reconciliation particularly with regard to payroll issues. It was noted that the Action Plan enabled the Audit and Governance Committee to undertake a half-yearly review of progress.
Annual Audit Letter 2014/15	The Committee received the Annual Audit Letter from the external Auditors, Mazars. The external auditors had issued an unqualified value for money conclusion. It was noted in particular that officers had reacted competently and efficiently in handling late adjustments that had arisen due to external factors. It was confirmed that the Council had continued to be proactive in looking at value for money through projects such as ‘Better Together’. The Committee noted the Annual Audit Letter.
External Audit Progress Report	The Committee reviewed progress against the External Audit Plan. It was confirmed that the 2014/15 Annual Audit had been completed by the statutory deadline of 30 September 2015, and that the Audit had concluded unqualified opinions on the Council’s financial statements and on the value for money conclusion. The report also confirmed that the Housing Benefits Subsidy Claim 2014/15 had been completed and certified before the Department of Work and Pension’s deadline of 30 November 2015.

	The Committee was also advised of some personnel changes within Mazars. The Committee noted the report.
Internal Audit Progress Report	The Committee considered the Internal Audit Progress Report, which provided the Committee with an update on progress made in delivering the internal audit work plan for 2015/16 and summarised the findings of recent internal audit work. The report noted that there were thirteen audits in progress. It was anticipated that the performance target of 93% of the agreed Audit Plan to be delivered would be exceeded by April 2016. The Committee noted the report.
Review of Risk Management Strategy	The Committee considered the report from the internal Auditor, Veritau, which presented the Committee with the revised Risk Management Strategy. It was confirmed that only minor amendments had been made as part of the review. The Committee noted the report 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. The Committee was able to ask questions of the Audit Manager (Veritau) and the Executive Director (s151). The Committee noted the report and endorsed the actions of officers in furthering the progress of risk management.
Review of the Access Selby Risk Register	The committee reviewed the latest Access Selby Risk Register. The Committee was able to ask questions of the Audit Manager (Veritau) and the Executive Director (s151). The Committee noted the report and endorsed the actions of officers in furthering the progress of risk management.

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

13 April 2015	
Topic	Outcome
Audit Strategy Memorandum and External Audit Progress Report	To review progress against the External Audit Plan 2015/16.
Annual Governance Statement – Action Plan Review	To review progress against the Annual Governance Statement Action Plan.
Internal Audit Progress Report	To review progress against the Internal Audit Plan 2015/16.
Internal Audit Charter	To approve the Internal Audit Charter.
Internal Audit Plan 2016/17	To approve the Internal Audit Plan 2016/17.
Audit and Governance Committee Annual Report 2015/16	To approve the Annual Report 2015/16.

Audit and Governance Committee Work Programme 2016/17	To approve the 2016/17 Audit and Governance Committee Work Programme.
--	---



**Public Session**

**Report Reference Number: A/15/25**

**Agenda Item No: 10**

---

**To:** Audit and Governance Committee  
**Date:** 13 April 2016  
**Author:** Daniel Maguire, Democratic Services Officer  
**Lead Officer:** Palbinder Mann, Democratic Services Manager

---

**Title:** Audit and Governance Committee Work Programme 2016/17

**Summary:**

A draft Work programme is provided for the Committee's consideration and approval.

**Recommendations:**

**To approve the draft Work Programme for 2016/17.**

**Reasons for recommendation**

*To ensure compliance with Article 6 of the Constitution.*

**1. Introduction and background**

1.1 Article 6 of the Constitution requires the Audit and Governance Committee to prepare an Annual Work Programme.

**2 The Report**

2.1 A draft Annual Work Programme for 2016/17 is attached at Appendix A. This has been drafted by the Chair, the Chief Finance Officer and the Democratic Services Officer and it is now available for the Committee to consider.

2.2 The nature of the Committee's remit means that much of the Work Programme is determined by internal and external auditing deadlines and reports.

2.3 The Committee is asked to consider any amendments and then approve the Annual Work Programme.

### **3 Legal/Financial Controls and other Policy matters**

#### **Legal Issues**

3.4 None.

#### **Financial Issues**

3.5 None.

### **4. Conclusion**

4.1 The Committee is asked to approve the draft Annual Work Programme 2016/17 to ensure compliance with Article 6 of the Constitution.

### **5. Background Documents**

None.

#### **Contact Officer:**

Daniel Maguire, Democratic Services Officer  
Ext: 42247  
dmaguire@selby.gov.uk

#### **Appendices:**

*A – Draft Audit and Governance Annual Work Programme 2016/17*

**Audit Committee Work Programme 2016/17**

<b>Date of Meeting</b>	<b>Topic</b>	<b>Action Required</b>
	Time of meetings	To agree the start time of Audit Committee meetings for 2016/17
	Internal Audit Annual Report 2015/16	To consider the Internal Audit Annual Report for 2015/16
	Internal Audit Charter	To approve the Internal Audit Charter (from April 2016)
<b>15 June 2016</b>	Annual Governance Statement – Action Plan Review	To review progress against the AGS Action Plan
	Risk Management Annual Report	To consider the Risk Management Annual Report for 2015/16
	Review of the Risk Register(s)	To review the latest Risk Register (s)
	Statement of Accounts (post audit)	To approve the Statement of Accounts
	Annual Governance Statement	To approve the Annual Governance Statement
<b>28 September 2016</b>	Mazars Audit Completion Report and Opinion on the Financial Statements	To receive the Mazars Audit Completion Report and opinion on Financial Statements
	Counter Fraud Annual Report	To review the Counter Fraud Annual Report
	Internal Audit Quarter 1 Report 2016/17	To review progress against the Internal Audit Plan

<b>18 January 2017</b>	Information Governance Report	To approve the Information Governance Annual Report
	Internal Audit Quarter 2 Report 2016/17	To review progress against the Internal Audit Plan
	Annual Audit Letter	To receive the Mazars report on the 2015/16 Audit and Value for Money conclusion
	Review of Risk Management Strategy	To review the Risk Management Strategy
	Review of the Risk Register(s)	To review the latest Risk Register(s)
	External Audit Progress Report – Mazars	To review the progress by Mazars in meeting its responsibilities as the Council's External Auditor.
	Audit Strategy Memorandum and External Audit Progress Report – Mazars	To review the Audit Strategy and progress of the External Audit with Mazars
	Annual Governance Statement – Action Plan Review	To review progress against the AGS Action Plan
	Internal Audit Quarter 3 Progress Report 2016/17	To review progress against the Internal Audit Plan for 2016/17
	Internal Audit Charter	To approve the Internal Audit Charter
<b>19 April 2017</b>	Internal Audit Plan 2017/18	To approve the Internal Audit Plan 2017/18
	Audit Committee Annual Report 2017/18 and Work Programme 2017/18	To approve the 2016/17 Annual Report and the 2017/18 Work Programme for the committee