

Auditor's Annual Report

Selby District Council – year ended 31
March 2021

December 2021



Contents

- 01** Introduction
- 02** Audit of the financial statements
- 03** Commentary on value for money arrangements
- 04** Other reporting responsibilities

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to Members or officers are prepared for the sole use of the Council. No responsibility is accepted 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

Section 01: **Introduction**

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Selby District Council ('the Council') for the year ended 31 March 2021. Although this report is addressed to the Council, it is designed to be read by a wider audience including the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on 1 October 2021. Our opinion on the financial statements was unqualified.



Value for money arrangements

In our audit report we explained that we had not completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Council's arrangements.



Wider reporting responsibilities

We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

02

Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2021 and of its financial performance for the year then ended. Our audit report, issued on 1 October 2021 gave an unqualified opinion on the financial statements for the year ended 31 March 2021.

Qualitative aspects of the Council's accounting practices

We reviewed the Council's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances. Draft accounts were received from the Council in June 2021 and were of a good quality.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. Given the ongoing impact of COVID-19 the whole audit was completed remotely.

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

2. Audit of the financial statements

Internal control recommendations

We considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We identified the following deficiencies in internal control as part of our audit.

Description of deficiency

Note 14 of the accounts discloses the level of commitments under capital contracts totalling £7.4m. A significant proportion of the commitment is linked to a series of contracts with Engie for which the Council does not have signed contracts in place. We are, however, aware that work is on-going in 2021/22.

Potential effects

Without a signed contract there is a risk that the contract may not be fulfilled to the specification required.

Recommendation

The Council ensures that all contracts for major capital contracts are signed.

Management response

The Council will ensure that all future contracts for significant capital projects are signed. The finalisation of the ENGIE contract was ongoing at the time of the Financial Audit and will be resolved in the coming months.

Description of deficiency

When reconciling the FAR to the statement of accounts two instances of the opening balances having not been correctly updated were identified. The opening gross cost and accumulated depreciation figures for land and buildings are understated by £188k and the opening gross cost and accumulated depreciation figures for vehicle, plant and equipment are overstated by £61k. This results in the closing gross cost and accumulated depreciation entries being misstated by the same value.

Potential effects

The asset register is not providing an accurate representation of the assets of the Council.

Recommendation

The Ledger and FAR should be reconciled regularly.

Management response

Agreed.

03

Section 03:

**Commentary on value for money
arrangements**

3. VFM arrangements – Overall summary

Audit approach

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks.
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant

weaknesses in those arrangements. Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses. We have identified no risks of significant weakness.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement. We have identified no actual significant weaknesses in arrangements requiring reporting or recommendations for improvement.

The table below summarises the outcomes of our work against each reporting criteria. On the following page we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	10	No	No
Governance	11	No	No
Improving economy, efficiency and effectiveness	13	No	No

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

How the Council identifies significant financial pressures that are relevant to its short and medium-term plans

The Council has an established process for developing its Medium Term Financial Strategy (MTFS). The strategy is reviewed on an annual basis and allows the Council to capture its short and medium term plans, and manage these within available resources. The process of developing the strategy involves input by officers across the Council as well as Members to ensure all known pressures, changes and priorities are captured and reflected. We noted the strategy is based on the current year's base budget to ensure the starting point is accurate. Quarterly monitoring reports are used to communicate the in year budget position and notify of any over/underspends as well as pressures on the budget. The Council has made progress in addressing financial challenges and has a proven track record of strong budget management and delivering planned budget reductions. We have seen evidence of effective financial management arrangements despite the additional issues caused by the COVID-19 pandemic.

How the Council plans to bridge funding gaps and identifies achievable savings

The 3 year MTFS arrangements include the identification of savings to ensure budgets are balanced. In 2020/21 the revised budget identified in-year General Fund savings of £0.155m and £0.195m for the Housing Revenue Account (HRA) which were largely achieved. The updated July 2021 Strategy shows planned savings of 0.123m in 2021/22 increasing to £0.323m yearly thereafter for General Fund and annual savings of £0.195m for the HRA. Through review of the strategy and savings achieved in 2020/21 we have seen evidence of the process for approval, scrutiny, monitoring and reporting of the savings plan. We identified no evidence of a weakness in arrangements.

How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

We confirmed that the MTFS was developed using assumptions including inflation and expected income. The Council identifies its priorities through the Council Plan which is updated periodically and the current Plan runs for the period 2020 to 2030. Resources are earmarked through the reserves programme, to enable the priorities within the Council Plan to be achieved. The MTFS covers financial forecasts over a three year period, and is updated annually. This has close links to the priorities within the Council Plan the MTFS provides an opportunity to assess costs, income and savings to ensure forward planning of finances.

The Council has a number of reserves built up over the years to allow for unforeseen issues to be managed over the medium term. In recent years the Council has benefitted from business rates income of around £9m largely arising from renewables at the Drax power station. This is being held in a reserve to support the revenue budget should it be needed. Our work did not identify any evidence to indicate a significant weakness in arrangements.

How the Council ensures that its financial plan is consistent with other plans

In line with the Prudential Code and the Council's Capital Strategy, revenue implications of capital investment decisions are fully considered and form part of the MTFS planning and budget setting process to ensure such investments are fully funded. The Leadership Team and Executive are involved in the financial planning process to ensure a joined up approach across the Council and that all risks and opportunities are captured.

We noted that savings plans are risk assessed and the annual MTFS process includes reviewing the Council's earmarked reserves. We confirmed a review was completed in 2020/21 to ensure funding set aside remains in line with strategic and statutory priorities of the Council. This is evidenced in the outturn reports presented to the Executive in May 2021. Our work did not identify any evidence to indicate a significant weakness in arrangements.

How the Council identifies and manages risks to financial resilience

Risk assessment is a key part of the MTFS with core funding streams modelled applying a range of scenarios. Major service budgets are also risk assessed to understand the potential issues and scale in order to ensure sufficient reserve cover should this be required. We noted that there are contingency budgets to deal with issues that arise during the year.

The Council's 2020/21 financial position was reported to the Executive throughout the year with the final position reported in the Outturn report of 27 May 2021. The reported position is consistent with the financial position reported during the year and did not indicate a weakness in the Council's budget monitoring and reporting arrangements.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

How the Council monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council operates an Executive with a Leader model, and this is governed by a Council Constitution including all of the normal features of an effective governance framework in local government. We noted the Council has a risk management strategy and framework in place and the Audit and Governance Committee oversees the governance framework including the work of Internal Audit. Work plans and progress reports are submitted to the Committee as part of the standard committee work programme.

Internal Audit's work is driven by a risk assessed work programme established through engagement with senior managers and the Committee. Progress reports and key audit findings are reported and should instances of limited assurance arise then the Committee calls the relevant officers or executive lead to attend in order to scrutinise and gain assurance on progress in responding to the deficiency. The Head of Internal Audit Opinion was presented to the Audit and Governance Committee meeting in July 2021. This provides reasonable assurance on the adequacy and effectiveness of internal control operating across the Council. A Counter Fraud Plan is in place and we confirmed there is also regular reporting to the Audit and Governance Committee on counter fraud activities, including fraud investigations. The Counter Fraud Annual Report issued in July 2021 sets out a summary of the investigation, prevention and detection work for the year.

Based on attendance at the Audit and Governance Committee we have identified no evidence of a significant weakness in arrangements.

How the Council approaches and carries out its annual budget setting process

The Council's MTFS arrangement includes the identification and evaluation of risks to the Council's finances. We have reviewed the budget setting arrangements through observation and discussions with officers. No matters have been identified indicating a significant weakness in arrangements. Overall the Council is aware of the financial pressure it faces.

How the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

We have reviewed Council minutes and confirmed there was regular reporting of the financial position during 2020/21 financial year. This included detail of movements in the budget and forecast outturn between quarters. The reports detailed the in-year pressures as well as planned mitigations. The outturn position was not significantly different to that reported to Members during the year and did not indicate a weakness in arrangements.

The Council has a good record of delivering against its budget and this is evidence of effective arrangements for budgetary control.

The financial statements timetable was delivered in 2020/21 with the draft statements available for audit in June 2021. Our audit of the financial statements did not identify any matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts. It is our experience that management takes action to address audit matters in a timely and appropriate manner.

How the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

The Council maintains a forward plan of key decisions which is published on its website. We noted that new decisions are supported by reports that outline options and relevant considerations, including references to financial, legal and performance issues where appropriate, to ensure recommendations are supported by robust information.

We have reviewed Council minutes and have not identified any evidence of a significant weakness in arrangements. The reports we reviewed support informed decision-making and were clear in the decision or recommendation Members were asked to make.

The Council implemented measures to ensure that services could continue despite the restrictions arising during the COVID-19 pandemic. The arrangements included live streaming to allow the public to observe Council meetings.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria (continued)

How the Council monitors and ensures appropriate standards are maintained

The Council's Constitution was updated in June 2021 and sets out how the Council operates, how decisions are made and the rules and procedures which are followed to ensure that these are efficient and transparent to local people. Supporting the Constitution are codes of conduct for Members and officers. Registers of gifts and hospitality and registers of interest are maintained and are available on the Council website. The Statement of Accounts records material related party transactions as well of senior officer pay and Member allowances. We considered these disclosures and compared them with the interests declared and identified no matters to report.

We confirmed that contract procedure rules are in place and require procurement decisions to comply with appropriate standards.

There is regular reporting of treasury management activity that details the Council's investments, cash and borrowing positions. The Treasury Management Strategy was approved ahead of the 2020/21 financial year and sets out the Council's measures against which treasury management can be assessed. The measures include those designed to mitigate risk to the Council's finances and we identified no evidence to indicate a significant weakness in arrangements.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

How financial and performance information has been used to assess performance to identify areas for improvement

Service performance is monitored/managed through the Council's performance management framework which includes the Council Plan, agreed priorities, key milestones and performance indicators. Performance is reported quarterly to the Leadership Team, the Executive and scrutiny committees. Performance issues are highlighted, considered and remedies agreed. Plans are in place to undertake value for money reviews and the Council has subscribed to 'CFOInsights' a benchmarking tool which enables comparison of costs and performance across desired council groups. Work has been suspended during the Covid-19 pandemic but is to recommence when the additional demands of responding to the public health emergency are no longer needed. The Council's financial performance is reported on a regular basis to Executive with details of the financial position along with rationale for any changes and factors to be taken into account.

How the Council evaluates the services it provides to assess performance and identify areas for improvement

The performance reporting system described above is the way the Council assesses performance and identifies areas for improvement. In addition, the Council has also sought external challenge with an LGA peer review. Recommendations and other identified issues are addressed through improvement plans.

How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

Regular meetings are held with key partners and stakeholders to assess progress against agreed targets/objectives. The Council can point to numerous examples including:

- the charity Inspiring Healthy Lifestyles (IHL) to discuss leisure services provision;
- the government agency Home England regarding the provision of housing in the District;

- North Yorkshire County Council in relation to a number of issues but specifically waste disposal, fly tipping, highways and transport, planning and public health and 'Better Together' arrangements;
- Local Resilience Forum to ensure all agencies are working together to deal with issues arising out of the pandemic (and other emergencies);
- the Selby Health Matters partnership to integrate work across public health;
- Directors of Development across York & North Yorkshire to integrate work around economic development, planning, infrastructure and the low carbon agendas; and
- the York & North Yorkshire Local Enterprise Partnership round economic growth and Covid economic recovery.

How the Council ensures that where services are commissioned or procured this is done in accordance with relevant legislation

All procurement activity is managed and supported by the commissioning and procurement team in accordance with the Council's contract procedure rules. Tender documents are jointly prepared with service managers to ensure compliance and manage tender risks. Where required, payment mechanisms are linked to project delivery milestones and or achievement of quality criteria.

We saw evidence of the Council's process when the Novation of the street scene contract was undertaken in 20/21 as part of the sale of Amey PLC's environmental services business. Professional support was provided by the Head of Contracts and Commissioning, Legal services and Finance.

04

Section 04:

**Other reporting responsibilities and
our fees**

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data and to carry out certain tests on the data. At the time of preparing this report we have not yet received instructions from the NAO on what procedures are required. As such this work is outstanding.

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee in February 2021. Having completed our work for the 2020/21 financial year, we can confirm that our fees are as follows:.

Area of work	2019/20 fees	2020/21 fees
Planned fee in respect of our work under the Code of Audit Practice	£34,425	£34,425
Additional fees in respect of XYZ (e.g. new VFM approach)	-	£9,000
Additional fees in respect of additional work on PPE valuation and pension liability valuation.	£9,800	£9,800
Total fees	£44,225	£53,225

Fees for other work

In 2020/21 the Council has engaged Mazars LLP for the following non-audit services:

- Housing Benefit Assurance - £14,000 plus VAT the same fee as 2019/20.

Contact

Mazars

Partner: Mark Kirkham

Email: Mark.kirkham@mazars.co.uk

Senior Manager: Rob Walker

Email: rob.walker@mazars.co.uk

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

www.mazars.com

Follow us:

LinkedIn:

www.linkedin.com/company/Mazars

Twitter:

www.twitter.com/MazarsGroup

Facebook:

www.facebook.com/MazarsGroup

Instagram:

www.instagram.com/MazarsGroup

WeChat:

ID: Mazars