



Audit Completion Report

Selby District Council
Year ending 31 March 2018

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Members of the Audit and Governance Committee
Selby District Council
Civic Centre
Doncaster Road
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North Yorkshire
YO8 9FT

13 July 2018

Dear Members

Audit Completion Report – Year ended 31 March 2018

We are pleased to present our Audit Completion Report for the year ended 31 March 2018. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented to this committee on 18 April 2018. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0113 387 8850.

Yours faithfully



Mark Kirkham
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1. EXECUTIVE SUMMARY

Purpose of this report and principle conclusions

The Audit Completion Report sets out the findings from our audit of Selby District Council 'the Council' for the year ended 31 March 2018, and forms the basis for discussion at the Audit and Governance Committee meeting on 25 July 2018.

The detailed scope of our work as your appointed auditor for 2017/18 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. As we outline on the following page, our work is substantially complete and, subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including our proposed conclusion, is provided in Appendix B.

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 31 August 2018. Our report on your WGA submission, in line with the group instructions issued by the NAO, will record that your activity was below the threshold set by the NAO meaning that we were not required to review the WGA return in detail this year.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We did not receive any questions or objections during the 2017/18 audit.

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit and Governance Committee in a follow-up letter.

1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2018. At the time of preparing this report the following matters remain outstanding:

Audit area	Description of outstanding matters
Property, Plant and Equipment	We are waiting for supporting documentation to back up some reserve movements in relation to PPE.
Loans and Borrowings	We are waiting for external confirmation from UBS to substantiate the overall balance that has been included as a loan in the financial statements. There has been a delay in obtaining this as the bank does not hold up to date information regarding the Council signatories for the account.
Final checks on financial statements	On receipt of the final financial statements we will need to do procedures to ensure they remain consistent with our audit work and understanding of the Council and also to ensure all audit amendments have been processed.
Review of post-balance sheet events	We will perform procedures, including holding discussions with management to cover the period up to the date of signing, that there have been no events that require reporting or disclosing in the financial statements.

We will provide the Audit and Governance Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in April 2018. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £788,000 using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £812,000, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit and Governance Committee) at £24,000 based on 3% of overall materiality.

2. OPINION AUDIT

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 9 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk

Description of the risk

Management override of controls

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

How we addressed this risk

We addressed the management override of controls risk by performing audit work on accounting estimates, journal entries and significant transactions outside the normal course of business.

Audit conclusion

There are no significant issues arising from our work.

2. OPINION AUDIT (CONTINUED)

Significant risk

Revenue recognition –fees and charges

Description of the risk

In accordance with ISA 240 we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted and we have done this in relation to the Council's most significant sources of income - taxation and grant income.

However, we do not feel that sufficient scope exists within the recognition of fees and charges to conclude that there are grounds for rebuttal in that particular income stream. This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.

How we addressed this risk

We have evaluated the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, we have undertaken a range of substantive procedures including testing receipts in March, April and May 2018 to ensure that income has been recognised in the right year, testing material year end receivables, testing adjustment journals and obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger. In respect of fees and charges, we have used higher sample sizes reflecting the significant risk in this area.

Audit conclusion

We have not identified any significant issues in relation to revenue recognition.

Significant risk

Property, plant and equipment valuations

Description of the risk

The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of PPE.

Although the Council utilises external valuation experts to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of PPE to be an area of risk.

How we addressed this risk

We have considered the Council's arrangements for ensuring that PPE values are reasonable and engaged our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the Council's external valuers. We have also assessed the competence, skills and experience of the Council's two external valuers.

We have performed procedures to evaluate the accuracy and reasonableness of transactions processed in the year in relation to property, plant and equipment.

Audit conclusion

We have not found any significant issues in relation to the valuation of property, plant and equipment.

2. OPINION AUDIT (CONTINUED)

Significant risk

Defined benefit pension liability valuation

Description of the risk

The financial statements contain material pension entries in respect of the 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 addressed this risk

In addition to our standard programme of work in this area, we have evaluated the management controls in place to assess the reasonableness of the figures provided by the Actuary and we have considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by National Audit Office.

Audit conclusion

We have not identified any significant issues in relation to the valuation of the defined benefit pension liability.

Management judgement

Business Rates Appeals

Description of the management judgement

The Council is dependent on the Valuation Office Agency (VOA) for information regarding appeals against Business Rates bills. Management applies judgement in order to create a reasonable basis for the provision, given the level of appeals and other relevant information.

How our audit addressed this area of management judgement

We reviewed the basis for the judgements used in creating the provision and assessed the reasonableness of any estimates.

Audit conclusion

There are no significant issues arising from our work.

2. OPINION AUDIT (CONTINUED)

Management judgement

Depreciation

Description of the management judgement

The annual depreciation charged against the Property, Plant and Equipment involves an estimation of both the valuation of the asset and the remaining useful economic life of the asset. The valuations risk was identified as a significant risk in the previous section. The residual risk around the remaining useful economic lives of assets is a key area of judgment, but does not amount to a significant risk to the audit.

How our audit addressed this area of management judgement

In conjunction with the procedures being performed to assess the reasonableness of the work performed by the external valuation experts, we have reviewed the asset lives used and performed substantive procedures to establish if the estimates are reasonable.

Audit conclusion

There are no significant issues arising from our work.

Management judgement

Accruals

Description of the management judgement

A key accounting concept determines that expenditure and income should be accounted for in the period to which they relate, therefore management needs to assess transactions and apply judgement to ensure that they are translated into the appropriate accounting period.

How our audit addressed this area of management judgement

We have reviewed a sample of balance sheet entries relating to income and expenditure and also reviewed the process used by management to create those entries.

Audit conclusion

There are no significant issues arising from our work. We have identified some issues outlined later in this report relating to capital expenditure which do not have an impact on the revenue income and expenditure position of the Council.

2. OPINION AUDIT (CONTINUED)

Qualitative aspects of the entity's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances.

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.

We received a full set of financial statements which were also published on the Council website on 25 May 2018 which was comfortably ahead of the statutory deadline of 31 May 2018. We place on record our acknowledgment of this achievement by the finance team.

We were provided with a good set of working papers and our queries have been responded to in a timely fashion.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability 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 law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2017/18 audit. 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 have not received any questions or objections during the 2017/18 audit.



3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	6
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0



3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other deficiencies in internal control – Level 2

Description of deficiency

In trying to obtain third party confirmation for a loan balance held with UBS, we have been delayed due to the Council's signatory details not being up to date. The signatories on the account date back a number of years and most of whom are no longer employed by the Council.

Potential effects

Other than the delay to our audit, it could pose other administrative problems for the Council should they need to discuss the Loan Balance, or if the bank needed to contact the Council to discuss a late or missed payment of interest, which could potentially result in additional charges for the Council.

Recommendation

The Council should review all arrangements and business relationships to ensure contact and signatory details held with third parties are up to date and relevant.

Management response

Review currently in progress, should be completed ahead of the Audit Committee date.

Description of deficiency

In our work reviewing the bank reconciliation, we identified 71 cheques, totalling over £6,000 that were over 6 months old.

Potential effects

The likelihood of these payments being realised is low and as such the bank balance as per the ledger is misstated, albeit the overall value is minimal. Also there is an additional administration burden on the Council to continue to include these cheques in the bank reconciliation.

Recommendation

In the short term, cheques over 6 months old should be written off from the unpresented cheques listing. Over a longer term, the Council should ensure review processes to ensure that, with sufficient regularity, old cheques are removed from the bank reconciliation, unless there is a legitimate reasons for their continued inclusion.

Management response

Procedures have been reviewed and will ensure out of date cheques are written back as part of the bank reconciliation authorisation process.

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other deficiencies in internal control – Level 2 (continued)

Description of deficiency

There are assets currently held on the asset register that are rented out yielding income for the Council. The classification of a number of these assets is based on the original intention of the Council for that asset. This means that the use of the asset for rental purposes was originally intended to be a temporary arrangement.

Potential effects

There could be assets held with Property, Plant and Equipment rather than as Investment Properties. This would be out of line with accounting standards and the CIPFA Code of Practice. We have performed some procedures in the course of our work which has provided assurance that there is unlikely to be a material error in classification.

Recommendation

The Council should review the intention on which their assets are held and determine whether a change in classification is required.

Management response

Will review assets being held in line with the Council's asset management plan and re-classify if and where necessary in 2018/19.

Description of deficiency

The draft statements contained double-counting of recharged overheads within the CIES.

Potential effects

Although the net impact of the error has not been impacted, both income and expenditure are overstated.

Recommendation

Despite this being a purely presentational error, the treatment of recharges should be reviewed to ensure that they are not double-counted in financial information. This will mean that external reporting is more accurate but also that the true cost of services can be ascertained. [Note that this error has been corrected in the financial statements, as set out on page 14.]

Management response

Reviewed process for preparing CIES balances to ensure CEC's are eliminated.

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other deficiencies in internal control – Level 2 (continued)

Description of deficiency

As also reported last year, the payroll reconciliation shows items unreconciled at the year end. Officers are comfortable that the small difference is being managed but this has also been “self-reported” by management in the Annual Governance Statement with a target date of July 2018 to report to Those Charged with Governance.

Potential effects

Differences on control account reconciliations are normally an indication of a wider issue; in this case the wider issue is already known; that is, a problem exists with the costing information provided by the payroll provider (North Yorkshire County Council).

Recommendation

Officers should continue to work with NYCC to rectify the costing issue.

Management response

Not applicable, as management has this issue in hand.

Description of deficiency

We have noted three incidences where the cut-off of capital schemes has resulted in errors within the statements. One resulted in a substantial amount of expenditure (£99k) in respect of one scheme being included in additions in error; a second resulted in an adjustment being required (£35k) to increase creditors and additions; and the final one related purely to the capital commitments note (£507k).

Potential effects

Although none of the above have an impact on the Income and expenditure position of the council for the year; it is important that capital contracts are managed appropriately to ensure progress on schemes is monitored and the invoices are subsequently managed to ensure timely payment.

Recommendation

Finance officers need to reiterate to service managers the importance of following the established rules for capital accruals.

Management response

Training and support are provided to budget managers through the closedown process. Finance will feedback to service areas to remind teams of the consequences of submitting incorrect accruals, and continue to offer training ahead of closedown.

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the trivial threshold of £24,000.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
4 Dr: Capital Accruals			99	
Cr: PPE Additions – AUC (Infrastructure)				99
A capital scheme was identified that had been accrued for and was completed in-year but actual spend had only been negligible.				
<hr/>				
5 Dr: PPE Additions - Council Dwellings			35	
Cr: Capital Accruals				35
Inclusion of capital expenditure not accrued.				

4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Adjusted misstatements

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: - Income - Corporate Services & Commissioning	12,673		
	Cr: CIES - Income - Exceptional Item - Council Dwelling Revaluation			12,673
<p>At the start of the audit, management alerted us to a late adjustment they had made but that was not processed before submission of the financial statements. This relates to how the revaluation movement on Council Dwellings is shown on the face of the CIES, identifying the movement as an exceptional change on a separate line.</p>				
2	Dr: Other Operating Expenditure – (Gain) / Loss on disposal of Non-Current Assets	60		
	Cr: CIES Income			60
<p>Gain on disposals of Land and Building is now included in service income rather than within Other Operating Expenditure.</p>				
3	Dr: CIES / Cost of Services / Income / Finance	2,687		
	Cr: CIES / Cost of Services / Expenditure / Finance			2,687
<p>The draft financial statements included re-charge of support services double counted in Finance in both Income and Expenditure.</p>				

Disclosure amendments

During the course of our work we identified a number of spelling and grammatical inaccuracies that we have requested management to amend. We have also identified some small errors in rounding and other amendments below £24,000 or that were exclusively disclosure in nature. This impacted a number of notes including: Note 12. Property, Plant and Equipment; Note 14. Capital Commitments; Note 32. Officers' Remuneration; Note 36. External Audit Costs; Note 37. Grant Income - Credited to Other Services; and HRA Note 3. Provision for Bad Debts.

5. VALUE FOR MONEY CONCLUSION

Our approach

We are required to form a conclusion as to 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 in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria and commentary on arrangements in place at Selby District Council

Arrangements in place?

Informed decision making

Yes

In November 2017, the LGA led a corporate peer challenge of Selby District Council. This process demonstrated the Council's openness to learning. The results of the corporate peer challenge were generally positive about the Council's arrangements, but did identify a number of areas for future focus including carrying out an annual refresh of the Corporate Plan, being more focused around priority actions including those in the Council's Programme for Growth, and in strengthening scrutiny. The Council has followed up on these actions since the review was published.

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.

The Corporate Plan sets out priorities which include delivering affordable housing and promoting economic growth and development. Delivery is monitored in quarterly performance reports and in the Annual Report. New decisions are supported by reports that outline options and relevant considerations, including references to financial, legal and performance issues where appropriate.

There is evidence of financial reporting being used to deliver strategic objectives, for example, through the Medium Term Financial Strategy and in allocating resources to priority areas such as the Programme for Growth. In addition, regular financial reporting takes place, with formal reporting quarterly to the Executive. Performance issues are included in reports where appropriate, and overall performance outcomes are monitored quarterly and also included in the Council's Annual Report.

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.

The Annual Governance Statement includes an assessment of the effectiveness of arrangements and identifies appropriate areas for further improvement, most notably around information governance and strengthening scrutiny arrangements. It also highlights ongoing issues relating payroll reconciliations.



5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria and commentary on arrangements in place at Selby District Council

Arrangements in place?

Sustainable resource deployment

Yes

The Council has made 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.

In recent years the Council has benefitted from an annual windfall in business rates income which is now £8.6m largely arising from renewables at the Drax power station. The Council has prudently assumed that this is not guaranteed to continue and has set sums aside for investment, rather than using them to support the base budget, although there has been some investment in the capacity needed to manage the use of the additional funds that are available.

In 2016/17, the Council used some of its surplus funds to repay Pension Fund deficit following the triennial actuarial revaluation of the North Yorkshire Pension Fund on 1 April 2016. This generated an annual saving as a contribution towards the savings needed to balance the budget over the medium term.

One of the Council's main challenges is to utilise the additional funds effectively. This is mainly being done through the Council's Programme for Growth initiative. Although some projects have been delivered, much of the investment is still at the planning stage and is medium to long term in nature, which has led to some frustration at the pace of implementation. In May 2018, the Council refreshed its Programme for Growth and set out the governance arrangements to take the programme forward.

The Council continues to deliver its financial plans and the 2017/18 outturn achieved a £414k underspend against the general fund budget.

In the budget for the HRA, a key factor is the continuing requirement to reduce rents by 1% per annum. In 2017/18, the Council achieved a £734k underspend against the HRA budget. The HRA surplus that is achieved is required to support capital spending plans

The Council has an Asset Management Strategy. There are good examples of the Council seeking to make best use of its assets, for example, through the Better Together partnership with North Yorkshire County Council.

The Council has taken steps to develop its workforce, downsizing in the face of austerity and reorganising staff into wider roles. A recent example of these plans is the senior management restructure to better align the workforce with Council priorities.

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria and commentary on arrangements in place at Selby District Council

Arrangements in place?

Working with partners and other third parties

The Council works with a range of third parties. The Better Together partnership with North Yorkshire County Council is a strong example, with measures to date including shared telephony, an improved website, shared premises and shared services such as ICT.

Yes

Another example is the commissioning of leisure services, including the opportunity presented by the new leisure village, through Wigan Leisure and Cultural Trust (WLCT).

The Executive considers an annual review of the operation of the contract with WLCT. This considers the extent to which the contract contributes to wider strategic objectives around healthy lifestyles in the district.

The Council has procurement procedures in place and maintains a contracts register. The Council seeks to achieve best value from the procurement process, driving savings where possible, but also aiming to deliver sustainable services. The largest contract is refuse collection and street scene (approximately £3.9m per annum). This contract was extended during 2016/17 and is now in place for a number of years.

Significant audit risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the value for money conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had not identified any significant value for money audit risks.

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2017/18 financial year.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

To be on Selby District Council letter headed paper and addressed to the external auditor:

To date as 25 July 2018

Selby District Council - audit for year ended 31 March 2018

This representation letter is provided in connection with your audit of the statement of accounts for Selby District Council ('the Council') for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as the Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including un-asserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as the Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements as included in the auditor's Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole as set out below:

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
4 Dr: Capital Accruals			99	
Cr: PPE Additions – AUC (Infrastructure)				99
A capital scheme was identified that had been accrued for and was completed in-year but actual spend had only been negligible.				
<hr/>				
5 Dr: PPE Additions - Council Dwellings			35	
Cr: Capital Accruals				35
Inclusion of capital expenditure not accrued.				

Yours sincerely
 Ms K Iveson
 Chief Finance Officer

Date: 25 July 2018

APPENDIX B

DRAFT AUDITOR'S REPORT

Independent auditor's report to the Members of Selby District Council

Opinion on the financial statements

We have audited the financial statements of Selby District Council ('the Council') for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Expenditure and Funding Analysis, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, Collection Fund and the notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Selby District Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where: the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

APPENDIX B

DRAFT AUDITOR'S REPORT

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Conclusion on Selby District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Selby District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities in relation to review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

APPENDIX B

DRAFT AUDITOR'S REPORT

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of Selby District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of Selby District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

[Signature]

Mark Kirkham
For and on behalf of Mazars LLP

Mazars House
Gelderd Road
Gildersome
Leeds
LS27 7JN

[Date] Planned for 25 July 2018, subject to satisfactory resolution of outstanding issues.

Executive summary

Opinion audit

Internal control
recommendations

Summary of
misstatements

Value for Money
conclusion

Appendices

APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

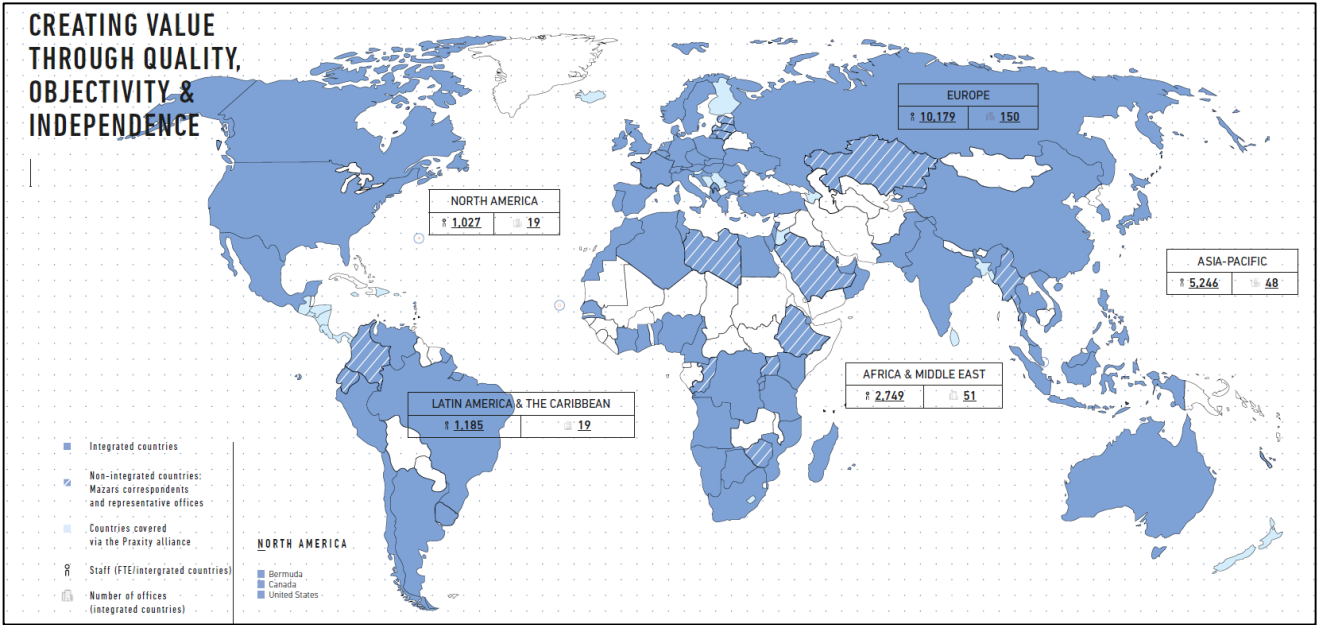


MAZARS AT A GLANCE

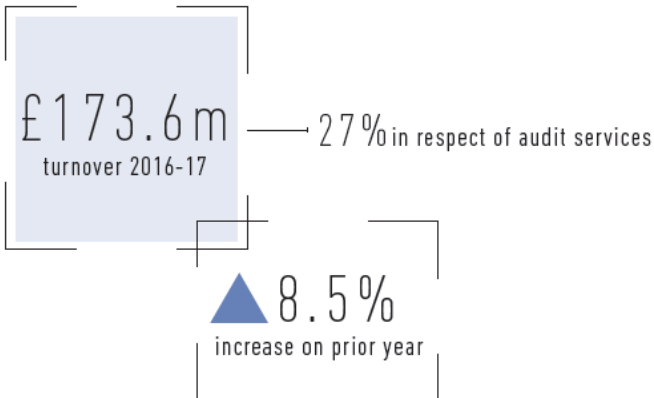
Mazars LLP

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Mazars Internationally



Mazars in the UK



As at 31 August 2017

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