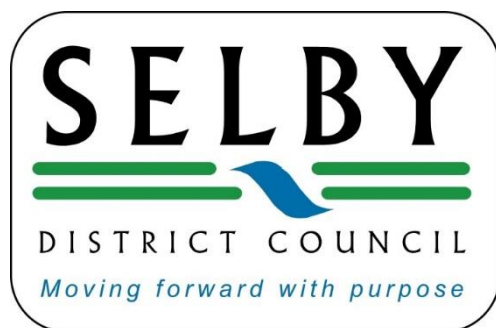
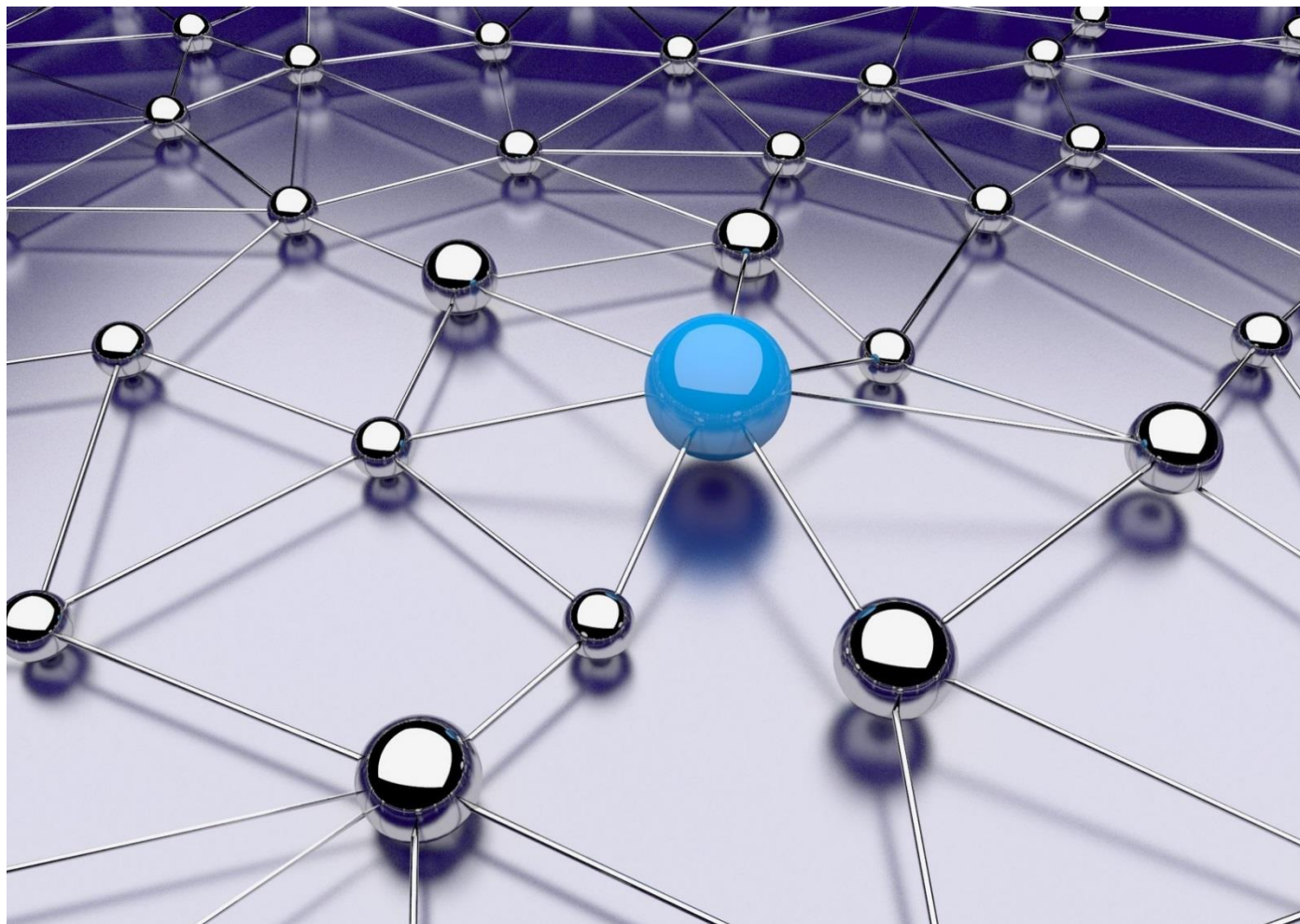


# Annual Audit Letter 2015/16

Selby District Council



October 2016

Mazars LLP  
Rivergreen Centre  
Aykley Heads  
Durham  
DH1 5TS

Members  
Selby District Council  
Civic Centre  
Doncaster Road  
Selby  
YO8 9FT

24 October 2016

Dear Members

**Annual Audit Letter 2016**

I am delighted to present to you Selby District Council's (the Council's) Annual Audit Letter. The purpose of this document is to summarise the outcome of the audit of the Council's 2015/16 annual accounts and our work on the value for money conclusion.

We carried out the audit in accordance with the Code of Audit Practice for Local Government bodies issued by the National Audit Office and delivered all expected outputs in line with the timetable established by the Accounts and Audit Regulations 2015.

We were pleased to issue an unqualified opinion on the statement of accounts and an unqualified value for money conclusion.

I would also like to express my thanks for the assistance of the finance team, senior officers and the Audit and Governance Committee during the audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me or my senior manager Gavin Barker on 0191 383 6300.

Yours faithfully

Mark Kirkham  
Partner  
Mazars LLP

# Contents

01 Key messages.....	2
02 Financial statements .....	3
03 VFM conclusion .....	5
04 Future challenges .....	8
05 Fees .....	9

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies 2015-16' 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 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 Key messages

Our Annual Audit Letter provides a summary of our work and findings for the 2015/16 audit period for Members and other interested parties.

We reported the detailed findings from our audit work in our Audit Completion Report for Selby District Council which was presented to the Audit and Governance Committee on 28 September 2016. The key conclusions for each element of our work are summarised below:

## **Our audit of the statement of accounts**

We issued an audit report including an unqualified opinion on the Council's financial statements on 28 September 2016.

## **Our VFM conclusion**

We carried out sufficient, relevant work, in line with the National Audit Office's guidance, so that we could conclude on whether you had in place, for 2015/16, proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

We issued an unqualified VFM conclusion on 28 September 2016.

## **Whole of Government Accounts (WGA)**

We reported to the National Audit Office (NAO), as the auditor of central government departments, that your activity was below the threshold set by the NAO meaning that we were not required to review the WGA return this year.

## **Our other responsibilities**

As the Council's appointed external auditor, we have other powers and responsibilities as set out in the Local Audit and Accountability Act 2014. These include responding to questions on the accounts raised by local electors as well as a number of reporting powers such as reporting in the public interest. We did not receive any questions about the accounts or valid objections in relation to your 2015/16 accounts from local electors, nor did we exercise our wider reporting powers.

# 02 Financial statements

## Audit of the financial statements

We audited your financial statements in line with auditing standards and we reported our detailed findings to the meeting of the Audit and Governance Committee on 28 September 2016. We issued an audit report, including an unqualified opinion, on the statement of accounts on 28 September 2016.

## Risk and materiality

Our work on your financial statements aims to provide reasonable assurance that your accounts are free from material misstatement. The assessment of materiality is, therefore, a key part of our work and we specify an overall materiality threshold, based on your gross revenue expenditure, together with lower materiality values for accounting entries we consider to be more sensitive, such as officer remuneration and members' allowances.

We consider materiality when planning and performing our work and in assessing the results.

At the planning stage, we make a judgement about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. We updated our materiality calculation when we received the draft accounts and set the overall level at £775k. We do not purely use a formula for our calculation of materiality and we look at any errors identified on their merits and can choose to report errors and uncertainties below our thresholds if we deem this to be appropriate.

In applying our view of materiality we identified the following two significant risks:

- management override of controls; and
- accounting entries for pensions.

We carried out a programme of work to address these risks which included the testing of journals, transactions and disclosures. Our work did not identify any issues to report.

In completing our work we assess the scale of errors and uncertainties using our materiality calculation to determine the impact on our audit reports. We did not identify any material errors in your statement of accounts.

## Preparation of the accounts

The Council presented us with draft accounts in accordance with the national deadline. Working papers and other supporting evidence were produced on a timely basis throughout the audit. Your arrangements and the responsiveness of officers enabled us to complete our comprehensive procedures efficiently.

## Issues arising from the audit of the accounts

We would like to highlight the following key points:

- officers prepared good quality draft financial statements and working papers;
- there were few errors identified; and
- the audit progressed well and there were no significant difficulties encountered. We received the full co-operation of officers.

## Annual Governance Statement (AGS)

The AGS is drafted by the Council to provide assurance to the reader over how it is managed and how it has dealt with risks in the year. We reviewed the AGS to see whether it complied with relevant guidance and whether it was misleading or was inconsistent with what we know about the Council. We found no areas of concern to report.

# 03 VFM conclusion

For 2015/16, we were required to satisfy ourselves that the Authority had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We performed our work in this area in accordance with guidance set out by the National Audit Office. This required us to consider one overall criterion as set out below.

**Overall criterion:** *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.*

Our work in this area focused on the three sub-criteria specified by the National Audit Office namely:

Sub-criteria	Focus of the sub-criteria
<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 also:

- reviewed your Annual Governance Statement;
- considered the work of other relevant regulatory bodies or inspectorates to the extent the results of the work have an impact on our responsibilities; and
- carried out risk-based work we determined to be appropriate. In Selby District Council’s case, we did not identify any significant risks in respect of the value for money conclusion.

## Financial standing

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. The Council achieved a better than expected outturn for both the General Fund and HRA in 2015/16.

2015/16	Original Budget	Funding	Net Budget position	Outturn Position	Comparison against Original Budget
General Fund - revenue expenditure	£10.807m	£10.774m	£33k deficit	£608k Surplus	£641K Improvement
Housing Revenue Account	£11.221m	£12.489m rents	£1.268m surplus	£1.672m Surplus	£404k Improvement

The main reasons for the better than expected General Fund Outturn included additional grant income and increased income from planning fees, along with a large number of smaller beneficial improvements in numerous areas. The main reason for the better than expected outturn on the HRA was lower than expected interest payments for not needing to borrow in year for new developments, plus numerous other beneficial impacts.

In addition, the Council has sustained a significant capital programme, with an outturn for 2015/16 of £9.9m.

## Achievement of objectives

The Council set out its priorities in the Corporate Plan 2015/2020:

Key Priorities	Key focus
To do business	<ul style="list-style-type: none"> <li>Securing new investment in the district</li> <li>Improving employment opportunities</li> <li>Working with education providers to support people in accessing training and education that will skill them for work</li> <li>Working with people and businesses to help Selby, Tadcaster and Sherburn in Elmet reach their potential</li> </ul>
To enjoy life	<ul style="list-style-type: none"> <li>Improving the supply of housing</li> <li>Improving healthy life choices</li> </ul>
To make a difference	<ul style="list-style-type: none"> <li>Empowering and involving people in decisions about their area and their services</li> <li>Enabling people to get involved, volunteer and contribute to delivering services locally</li> <li>Facilitating people to access and use alternative service delivery channels</li> </ul>
<b>And this will be supported by Selby District Council delivering great value:</b>	
Key focus:	<ul style="list-style-type: none"> <li>Working with others and co-developing the way in which services are delivered</li> <li>Commissioning those best placed to deliver services on our behalf</li> <li>Making sure we communicate with customers to help us understand what matters, to listen and learn and to enable us to offer the right support</li> <li>Helping people to access services digitally</li> </ul>



In July 2016, the Council's Annual Report for 2015/16 highlighted that:

- the Council has delivered over £4m of savings since 2010;
- a new organisational structure has been put in place to better align Council services to the Corporate Plan priorities;
- the partnership with North Yorkshire County Council through the 'Better Together' initiative has delivered savings and improvements in service delivery;
- the district dealt with a significant flooding event in the winter of 2015;
- the district hosted a stage start for the Tour de Yorkshire; and
- Selby's new leisure centre was opened and the development of the new leisure village, Summit Indoor Adventure.

### **Overall conclusion**

We satisfied ourselves that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016 and we issued an unqualified VFM conclusion.

# 04 Future challenges

The Council 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. The Council is uncertain how long this windfall will continue, but is setting it aside for the Council's Programme for Growth initiative. The Council are therefore in the unusual position of having, for the moment at least, significant additional resources for investment.

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.

The challenges for the future include:

- fully implementing the new management structure;
- making best use of the additional resources available for investment;
- delivering economic development objectives and enabling the supply of housing, including affordable housing; and
- positioning the district to best advantage in terms of the Better Together programme, devolution and the implications arising from Brexit.

We will focus our 2016/17 audit on the risks that these challenges present to your financial statements and your ability to maintain proper arrangements for securing value for money.

We will also share with you relevant insights that we have as a national and international accounting and advisory firm with experience of working with other public sector and commercial service providers.

In terms of the technical challenges that officers face around the production of the statement of accounts, we will continue to work with them to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise. A key focus in the coming year will be on working with officers to prepare for the bringing forward of the accounts and audit timetable which will take effect from the 2017/18 financial year.

# 05 Fees

As outlined in our Audit Strategy Memorandum for Selby District Council presented to the Audit and Governance Committee on 13 April 2016, Public Sector Audit Appointments Ltd (PSAA) sets a scale fee for our audit work. The fees applicable to our work in 2015/16 are summarised below.

Element of work	2014/15 Final Fee	2015/16 Scale fee (as previously reported)	2015/16 Final Fee
Code audit work	£59,610	£44,708	£44,708
Certification work	£14,170	£13,450	£13,450 *
Non-audit work	£0	£0	£0
<b>Total</b>	<b>£73,780</b>	<b>£58,158</b>	<b>£58,158</b>

*All fees are shown excluding VAT*

\* The fee outlined above in relation to certification work is an estimate as we are yet to complete our work on certifying the Council's Housing Benefit claim. We will confirm the final fee charged for certification work when we issue our 2015/16 Certification Report.

We confirm that we did not undertake any non-audit work during the year.

Mazars also provides services to Selby & District Housing Trust, a related party to the Council. The fees for this work were £1,200 plus VAT in 2015/16 (also £1,200 plus VAT in the previous year).

Should you require any further information on this letter or on any other aspects of our work, please contact:

**Mark Kirkham**

Partner

T: 0113 387 8850

E: [mark.kirkham@mazars.co.uk](mailto:mark.kirkham@mazars.co.uk)

Mazars LLP  
Mazars House  
Gelder Road  
Gildersome  
Leeds  
LS27 7JN