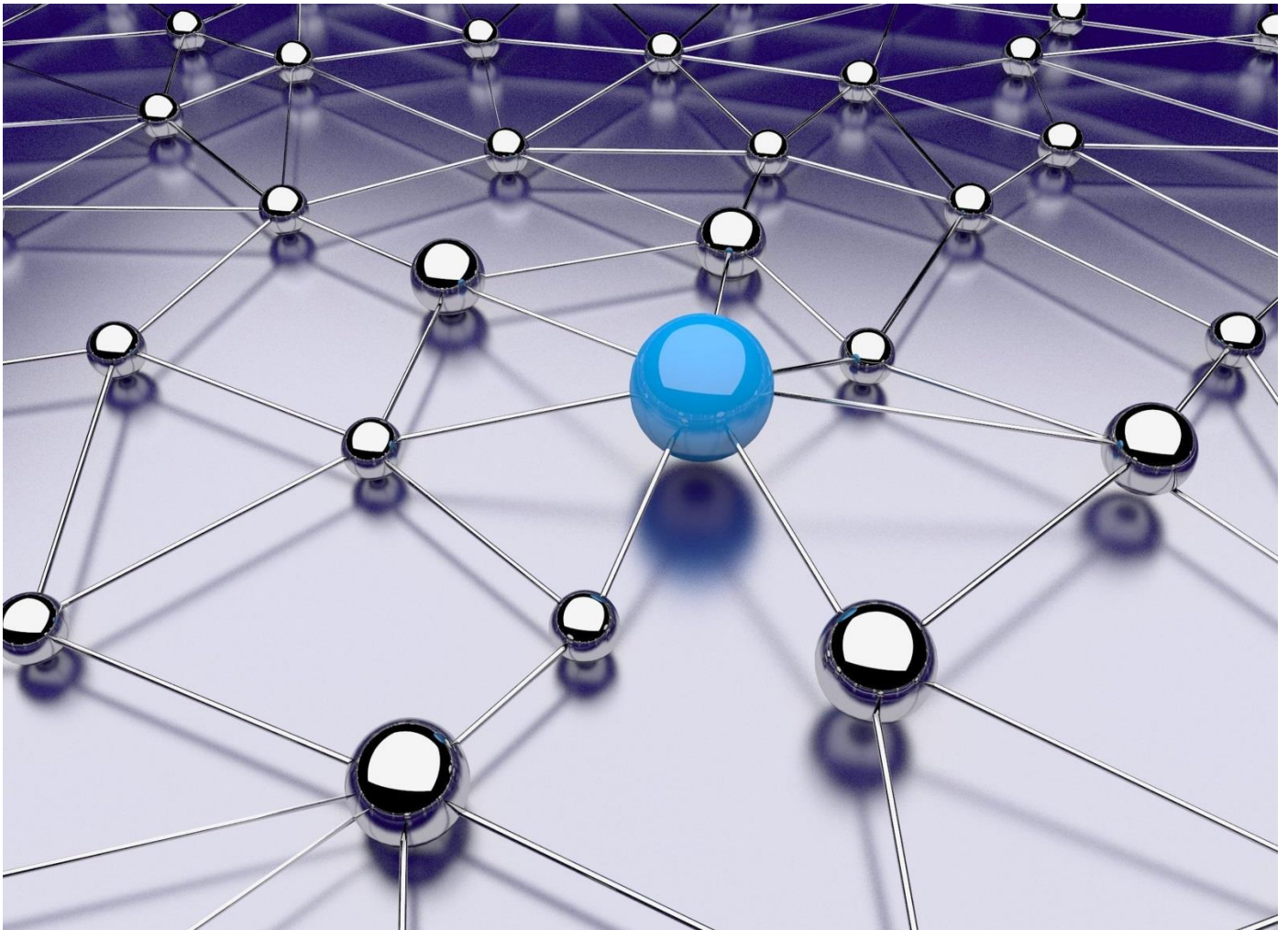


Annual Audit Letter 2014/15

Selby District Council

October 2015



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29 October 2015

Dear Members

Annual Audit Letter 2015

We are delighted to present to you this year's Annual Audit Letter.

We carried out the audit in accordance with the Code of Audit Practice for Local Government bodies as issued by the Audit Commission and delivered all expected outputs in line with the timetable established by the Accounts and Audit Regulations 2011 and the National Audit Office.

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 on 0191 383 6314 or cameron.waddell@mazars.co.uk.

Yours faithfully

Cameron Waddell
Partner
Mazars LLP

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

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01 Overall messages

Purpose of this letter

Our Annual Audit Letter provides a summary of our work and findings for the 2014/15 audit period for Selby District Council (the Council), and other interested parties.

In addition to this letter, we issued and presented our Audit Completion Report to the Audit and Governance Committee on 29 September 2015. We also issued a follow up letter on 30 September 2015 recording our agreement to late adjustments to the financial statements to reflect a windfall gain for the Council arising from business rates. These documents provide more detail on the work we have undertaken as the Council's external auditor in 2014/15. The key conclusions for each element of our audit 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 30 September 2015.

Our audit proceeded smoothly and we did not encounter any significant issues whilst undertaking our work. Management agreed to amend all errors identified by our audit. The finance team were cooperative during our work and the quality of the financial statements and working papers was good.

Officers processed the late accounting adjustments arising from business rates efficiently and effectively in challenging circumstances.

Our Value for Money conclusion

We performed our work in line with the Audit Commission's Code of Audit Practice for Local Government bodies and the Commission's guidance on the Value for Money conclusion for 2014/15 to provide us with sufficient assurance that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Our work in this area focussed on the two criteria specified by the Audit Commission, and we issued an unqualified value for money conclusion on 30 September 2015. Further details are provided in the sections that follow.

Whole of Government Accounts (WGA)

We provide assurance to the National Audit Office (NAO), as the auditor of central government departments. As the Council's activity is below the threshold set by the NAO for a full review of WGA, the procedures we were required to carry out were limited to reporting the levels of income, expenditure, assets and liabilities. We sent our return to the National Audit Office on 30 September 2015.

Our other responsibilities

As the Council's appointed external auditor, we have other powers and responsibilities as set out in the Audit Commission Act 1998. 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 formal objections or questions in relation to the 2014/15 accounts and did not need to exercise our wider reporting powers.

02 Financial Statements

Audit of the financial statements

We audited the Council's financial statements in line with auditing standards and we reported the detailed findings of the audit in our Audit Completion Report and subsequent follow up letter. We issued an audit report including an unqualified opinion on the Council's financial statements on 30 September 2015.

Preparation of the accounts

The Council presented us with draft accounts in accordance with the national deadline. The production of the statement of accounts is a significant technical challenge involving a great deal of work by the Council's officers. We appreciate the cooperation of management and the patience, courtesy and assistance shown to us in the completion of our work. The working papers supporting the statement of accounts were of good quality and officers were responsive in following up the queries we raised.

Issues arising from the audit of the accounts

Our audit proceeded smoothly and we did not encounter any significant issues whilst undertaking our work. Management agreed to amend all errors identified by our audit. The finance team were cooperative during our work and the quality of the financial statements and working papers was good.

Officers processed the late accounting adjustments arising from business rates efficiently and effectively in challenging circumstances.

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 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 in this context.

03 Value for Money Conclusion

For 2014/15, we were required to give a statutory conclusion on the Council's arrangements to secure Value for Money (VfM) in its use of resources, based on the following two specified reporting criteria:

Criteria	Focus of each criterion
The Council has proper arrangements in place for securing financial resilience.	The Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
The Council has proper arrangements for challenging how it secures economy, efficiency, and effectiveness.	The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

As part of our work, we also:

- reviewed the annual governance statement;
- reviewed the work of other relevant regulatory bodies or inspectorates to the extent the results of the work have an impact on our responsibilities (where applicable); and
- carried out any risk-based work we determined to be appropriate.

Like other public sector bodies, the Council faces a number of challenges and in light of these we reviewed the Council's arrangements for managing financial risks and securing a stable financial position. We identified a significant risk in the Audit Strategy Memorandum regarding financial pressures faced from reduced funding. We addressed this risk by reviewing budget monitoring and reporting and reviewing plans to deliver future savings, and through our work were able to mitigate the risk we identified.

The table below shows commentary alongside each aspect of the two criteria and we have indicated alongside each a rating. This is followed by a reality check section. The expected arrangements were found to be in place in each area and an unqualified VfM conclusion has been issued.

Financial resilience

Criterion	Aspect	Commentary	Arrangements in place
Arrangements for securing financial resilience	Financial Governance	<p>The leadership is very aware of the changing financial management challenges. They have made significant savings over the last couple of years, and continue to make savings. An example of the Council taking action includes the Better Together project with North Yorkshire County Council. The two councils are looking to work together in some areas to provide savings for both.</p> <p>Each year the Council considers how robust the budget is, and it also reviews the sensitivity analysis to demonstrate the variable nature of the assumptions made in the budgets to the Executive and the Council. The significant savings made to date by the Council show there is a good understanding throughout the organisation of the financial position.</p> <p>Members do scrutinise and challenge performance, and the Audit Committee provides appropriate oversight. Quarterly budget monitoring reports are presented to the Executive and the Council.</p>	Yes
	Financial Planning	<p>The Council has managed its financial position well. The Council increased council tax by 1.96% in 2014/15 and a freeze in council tax has been approved for 2015/16. Budget setting is robust and close monitoring ensured delivery of spending within budget in 2014/15. At the year end, the draft accounts showed a budget surplus of £429k for the General Fund and the HRA a surplus of £1.250m. Savings exceeded target for the core General Fund and for the HRA. However, the target was missed for Access Selby, though offset by in year surpluses.</p> <p>The Council maintains a sensible General Fund Balance. Careful financial management has enabled it to build up a good level of earmarked reserves, although these are set aside for specific plans and projects. The earmarked reserves do enable the Council to manage its financial position more effectively over the medium term.</p> <p>The Medium Term Financial Strategy sets out how the Council proposes to deal with the difficult economic climate and the cuts in funding. The Council also has a plan looking ahead to the next 10 years. The Council has considered the impact of the retention of business rates and localisation of council tax support, and is monitoring these areas closely.</p> <p>Financial and corporate planning processes are closely aligned, this has been particularly evident in the current difficult economic environment.</p> <p>Risk management arrangements are robust, workforce planning has led to significant reductions in overall workforce in the last major restructuring, and the Council maintains a reasonable capital programme.</p> <p>The Council has good arrangements for treasury management and this is regularly monitored and reported.</p>	Yes

Criterion	Aspect	Commentary	Arrangements in place
	Financial Control	<p>The Council monitors its revenue and capital budgets closely during the year. Corrective action is taken when necessary, and budget monitoring appears to be robust.</p> <p>There have been no significant overspends in recent years, and the Council has recorded underspends for the last few years, including the current year.</p> <p>Robust control has allowed the Council to manage its financial position well. As noted above, the accounts for 2014/15 show that the Council achieved a surplus of £429k for the General Fund and £1.250m for the HRA.</p> <p>The Council has also delivered the savings required so far, and it also has healthy financial reserves to help it manage the future cuts that are likely to be required. The expectation is, and the Council is preparing for, difficult decisions in future years.</p> <p>Cash flow is managed effectively. The Council has investments due to its cash-backed earmarked reserves.</p>	Yes

Securing economy, efficiency and effectiveness

Criterion	Aspect	Commentary	Arrangements in place
Arrangements for challenging economy, efficiency and effectiveness	Prioritising resources	<p>The leadership team does have a good grasp of the issues and is taking the action needed to secure the financial position. Following the restructure to a new delivery model for the Council, the Council have consistently delivered planned savings.</p> <p>It is looking further afield to deliver savings for the future, to work in partnership with other authorities, in particular North Yorkshire County Council. The Better Together project is expected to deliver further savings going forward.</p> <p>The Council carry out consultations with the public and with the staff. The staff are positive about the future plans for the local authority.</p> <p>There are many recent examples of consultation including:</p> <ul style="list-style-type: none"> • planning service local validation list • budget and corporate plan • homelessness strategy • customer strategy and • development plan. <p>There is effective cost and performance management across the Council, and there are clear and robust links between the strategic priorities and in-year service decisions.</p>	Yes

Criterion	Aspect	Commentary	Arrangements in place
	Improving efficiency and productivity	<p>The Council receive quarterly updates on performance and budget outturns. Where appropriate option appraisals are used, recent examples include the transfer of assets to the housing trust. Staff surveys are carried out which have been positive. The Council is forward looking and is continuing to seek out saving opportunities such as its Better Together project with North Yorkshire County Council. It is part of the Yorkshire Procurement Partnership to help deliver savings in its procurement.</p> <p>The authority compares well in terms of overall value for money. The Council makes use of comparative and benchmarking information where possible. Significant savings have already been made, and service performance has been maintained.</p> <p>The Council sets itself challenging savings targets and has delivered these so far. The 'State of the Area' address from summer 2014 was a very clear articulation of how and where Selby had achieved its priorities, and it has been used to develop the refreshed Corporate Plan 2015-2020.</p>	Yes

Overall assessment

Having gathered evidence of the Council's arrangements for each criterion we conducted a 'reality check', building upon our existing knowledge of the Council and considering the robustness of our assessment by referring to:

- reports by statutory inspectorates or other regulators;
- achievement of performance and other targets; and
- performance against budgets and other financial targets.

Evidence	Auditor assessment
Reports by statutory inspectorates or other regulators	<p>There were no reports by any statutory inspectorates or other regulatory bodies during the year which might impact on our conclusion.</p> <p>We did review the value for money profiles (based on data previously maintained by the Audit Commission, but now available on the Public Sector Audit Appointments website). Based on this review, there were no indicators which would suggest weaknesses in the Council's arrangements, or any information contrary to our knowledge of the Council.</p>
Achievement of performance and other targets	<p>The Council's annual report includes performance against a number of indicators. This showed that for most indicators, performance is largely in line with the previous year. There has been some slight deterioration in performance for a couple of indicators, but nothing which indicates weaknesses in arrangements to secure value for money.</p>
Performance against budgets and other financial targets	<p>The Council had reported an underspend against budget in its 2014/15 financial statements. A balanced budget has been set for 2015/16 onwards.</p>

Annual Governance Statement

We reviewed the Council's Annual Governance Statement to identify if there were any issues disclosed by the Council that would lead us to consider that the Council did not have proper arrangements for securing economy, efficiency and effectiveness. Our review did not identify any such issues.

Overall Conclusion

Our overall conclusion, having carried out a 'reality check', was that the Council had adequate arrangements in place for each criterion and an unqualified VFM conclusion was issued.

04 Future challenges / other commentary

The Council continues to develop and modify its future plans to respond to reductions in funding.

Managing spending reductions will continue to become more and more difficult if it is not to affect service provision to the public. It is likely that the next few years will be even more difficult than the past few, and we will continue to monitor the situation during this coming year's audit, however, the Council is well placed to meet the challenge.

Late in the audit, the Council became aware of a windfall gain in business rates arising from renewables at the Drax power station. The Council will need to assess the impact of this on its overall financial position and any opportunities that this provides.

With a financial outlook that is increasingly challenging, to develop locally responsive services that maintain standards of access and quality, the Council will need to continue to:

- carefully forecast and effectively monitor budgets;
- identify and address financial pressures as they emerge;
- deliver a long term financial strategy that addresses immediate pressure while allowing scope for strategic service change;
- maintain effective arrangements for public engagement; and
- use constructive relationships with partners to safeguard service quality and resilience.

Whilst managing the challenge of funding reductions, the Council is also facing changes through the impact of local devolution. Although the future landscape remains unclear, a number of proposals have been submitted to central government, all of which would change the way the Council operates. All of the options seek greater powers from central government, in relation to transport, business rates retention, and funding settlements.

We will focus our 2015/16 audit on the risks that these challenges present to the Council's financial statements and its ability to maintain proper arrangements for securing value for money.

We will also share 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.

05 Fees and closing remarks

Our Audit Strategy Memorandum, issued and presented to the Audit and Governance Committee, set out our proposed fees for the 2014/15 audit, which are based on a scale fee set by the Audit Commission. The fees applicable to our work in 2014/15 are summarised below.

Element of work	2013/14 Final Fee	2014/15 Scale fee (as previously reported)	2014/15 Final Fee
Code audit work	£59,180	£59,610	£59,610
Certification work	£20,796	£14,170	£14,170 *
Non-audit work	£0	£0	£0
Total	£79,976	£73,780	£73,780

* 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 2014/15 Certification Report.

Mazars also provides services to Selby & District Housing Trust, a related party to the Council.

During the audit year we have continued to support the Council in other ways, including:

- Attendance at Audit and Governance Committee meetings where we inform the Committee about progress on the audit, report our key findings and update it about developments in the public sector and the wider environment.
- Hosting events for staff, such as our Accounts workshops, or more focused Accounts update sessions, as appropriate.

Further detailed findings, conclusions and recommendations in the areas covered by the audit are included in the reports issued to the Council during the year, which are summarised below.

Report	Date issued
2014/15 Audit Fee Letter	April 2014
Audit Strategy Memorandum	April 2015
Progress reports to Audit and Governance Committee	To each meeting
Audit Completion report, including follow up letter	September 2015
Auditors Report	September 2015
Annual Audit Letter	October 2015

The Council and management have taken a positive and constructive approach to our audit and I wish to thank them and the Audit and Governance Committee for their support and co-operation during our audit.

We are committed to supporting the Council move forward with clarity of purpose and strong governance and accountability arrangements. Mazars currently audits and advises a number of other councils across the country and will continue to share our insights from other audits, and relevant knowledge from the wider public and private sector.

Cameron Waddell

Partner

October 2015

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

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