

OVERVIEW AND SCRUTINY COMMITTEE

Thursday 23 April 2015 at 6.30 pm

Council Chamber, Ryedale House, Malton

Agenda

1 **Emergency Evacuation Procedure.**

The Chairman to inform Members of the Public of the emergency evacuation procedure.

2 **Apologies for absence**

3 **Minutes of the meeting held on the 29 January 2015**

(Pages 3 - 6)

4 **Urgent Business**

To receive notice of any urgent business which the Chairman considers should be dealt with at the meeting as a matter of urgency by virtue of Section 100B(4)(b) of the Local Government Act 1972.

5 **Declarations of Interest**

Members to indicate whether they will be declaring any interests under the Code of Conduct.

Members making a declaration of interest at a meeting of a Committee or Council are required to disclose the existence and nature of that interest. This requirement is not discharged by merely declaring a personal interest without further explanation.

6 **Deloitte - Certification of Claims and Returns 2013/14 Annual Report** (Pages 7 - 16)

7 **Internal Audit - Progress Report**

(Pages 17 - 26)

8 **Deloitte - Audit Plan 2015**

(Pages 27 - 64)

9 **Internal Audit Plan 2015/16**

(Pages 65 - 74)

10 **Any other business that the Chairman decides is urgent.**

Overview and Scrutiny Committee

Held at Council Chamber, Ryedale House, Malton
on Thursday 29 January 2015

Present

Councillors Acomb, P J Andrews, Mrs Shields (Vice-Chairman), Wainwright (Chairman)
and Ward

In Attendance

Will Baines, Stuart Cutts, Peter Johnson, Clare Slater

Minutes

58 **Apologies for absence**

Apologies were received from Councillor Cussons and Councillor Raper.

59 **Minutes of the meeting held on the 6 November 2014**

Decision

That the minutes of the Overview and Scrutiny Committee held on the 6 November 2014, be approved and signed by the Chairman as a correct record.

60 **Urgent Business**

There were no items of urgent business.

61 **Declarations of Interest**

There were no declarations of interest.

62 **External Auditor quarterly update report Jan 2015**

Considered the External Audit Progress Report for January 2015 produced by Deloitte.

Decision

That the progress be noted.

63 **Internal Audit Charter 2015**

Considered - report of the Finance Manager (s151).

Decision

That the results of the audit and fraud work undertaken so far during 2014/15 be noted.

64 Risk Strategy Annual Review

Considered – Report of the Head of Corporate Services.

Decision

That the contents of the annual review of the Risk Management Strategy be noted.

65 Corporate Risk Register 2013-17

Considered – the Corporate Risk Register 2013-17.

Decision

That the register be received.

66 s151 - AGS Action Plan Progress Report 150129

Considered – Report of the Finance Manager.

Decision

That the progress made to address identified actions in the 2013-14 AGS action plan be noted.

67 s151 - Treasury Management Statement and Investment Strategy

Considered – Report of the Finance Manager (s151).

Recommendation to Council

That Council be recommended to:

(i) Members receive the report;

(ii) The Treasury Management and Investment Strategies be noted and approved by the Council;

(iii) The Minimum Revenue Provision Policy Statement be approved by the Council and;

(iv) That the Prudential Indicators in the report be approved by the Council.

68 **Any other business that the Chairman decides is urgent.**

There were no items of urgent business.

The meeting closed at 7:35pm.

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Ryedale District Council

Certification of claims and returns 2013/14

Annual Report

February 2015

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Executive summary

We have pleasure in setting out in this document our report to the Overview and Scrutiny Committee of Ryedale District Council (“the Council”) on our certification work for the year ended 31 March 2014. This report summarises the principal matters that have arisen from our work. It is not intended to be exhaustive but highlights the most significant matters to which we would like to bring your attention.

This year only one item has required certification, being the housing benefit subsidy claim. This year the claim excluded council tax subsidy, hence only two benefit types were tested.

Our testing revealed a number of minor errors of both underpayment and overpayment of benefit, across both types of benefit. The individual errors ranged from a few pence to £640. Overall the claim adjustment have nil impact and a qualification letter was submitted to the Department for Work and Pensions (“DWP”) setting out the various errors found.

Given the nature of the benefits system, with a high volume of low value transactions, there will always be an element of human error. This year revealed less errors than last year, partly as a result of council tax subsidy being excluded from the claim, and none of the errors found highlight any significant control weaknesses.

There is a risk that the errors noted in the qualification letter could be used by DWP to reclaim an element of subsidy so it is important to understand and address the errors found.

More detail on our testing and the errors noted can be found in section 3 and our specific recommendations can be found in section 4.

1. Grant claims and returns certified for 2013/14

The following claim has been certified and delivered to the appropriate authority within the relevant deadline:

Claim	Value of Claim	Date received	Date certified	Certification deadline	Adjustments required	Qualification letter issued
Housing benefit subsidy	£12m	28/07/14	27/11/14	30/11/14	Yes	Yes

Notes

- A further grant for the Homes and Communities Agency was certified this year outside the Audit Commission contract.
- Section 2 provides details of adjustments and qualifications required.
- An analysis of certification fees is shown in Appendix 1 to this letter.

2. Adjustments and qualification letter issued

The following adjustments have been made prior to certification by the auditor and a qualification letter has been issued.

Adjustments

- The housing benefit subsidy claim required two minor adjustments which gave rise to nil overall change in the claim – see section 3 for commentary.

Qualification letter issued

- A letter was issued in respect of the housing benefit subsidy claim. Four different categories of error were reported in this year's letter to the Department for Work and Pensions (2012/13: nine categories). Where errors cannot be adjusted in the claim form, they are extrapolated from the testing sample across the whole benefit population. The total extrapolated error reported in the letter was £6.

3. Commentary on housing benefit subsidy claim

Certification approach

- Certification instruction BEN01, issued by the Audit Commission, was followed and using the HBCOUNT 2014 instructions, a Modular Approach was used to certify the claim. A planning meeting was held with key Council benefits staff in June 2014.
- The “system parameters” specified by the National Audit Office (ie this year’s benefit rates and allowances) were agreed to those in use at the Council.
- Electronic workbooks supplied by the Audit Commission were used to test a sample of cases for each of the two relevant benefit types (non-HRA rent rebates and rent allowances) for the Council. A sample of 20 was used for rent allowances and 15 for non-HRA rent rebates as a result of the small population for this type of benefit.
- Where errors are found in our initial testing, the certification instructions require extended testing of a further 40 cases (for populations over 100 cases) or 100% of cases (for populations under 100 cases) in the specific area of the error. Extended testing is performed in each instance where an initial error is found, and where prior year errors were found. This year eight sets of extended testing were performed (2012/13: twelve sets).
- A review of the Northgate software controls was also performed.
- Our initial testing of 35 cases noted two errors across the two benefit types (2012/13: 53 cases - two errors).
- As a result of the errors found in our initial testing, extended testing was required and nine further errors were noted (2012/13: 54 errors). Furthermore 20 instances of incorrect disclosure were noted in recording backdated claims on the claim form.
- There were instances of both underpayment and overpayment of benefit in the errors noted above, ranging from a few pence to £640.
- The following is a summary of the errors noted in our combined testing:
 - incorrect income details recorded/calculated;
 - incorrect eligible rent recorded;
 - incorrect student loan recorded;
 - incorrect rent officer referral start date recorded; and
 - incorrect disclosure in the claim for backdated amounts.

4. Observations and recommendations arising from our certification work

Housing benefit subsidy claim – prior year matters raised and follow-up

	Observation and recommendation in 2012/13	Update in 2013/14
1	<p>The internal quality checking process could be improved by being more focussed. Currently 3 new claims are checked each week, with the intention of spreading these across the assessors. However, risks also exist around the accuracy of assessment of changes in circumstances calculations. The checking could be better targeted at areas where known errors exist (for example, homelessness claims, claims with earnings, student cases) and the results of checking could feed into the training program to pinpoint areas of improvement for individual assessors and the service as a whole.</p> <p>We recommend that the authority adopt a risk based claims checking process, spreading across assessors, new claims and changes in circumstances, and focusing on different, higher risk aspect of claims and clearly documents the findings from its checks.</p>	<p>As our procedures are specified by the Audit Commission, we did not formally review the checking processes implemented by the Council. However, we would continue to emphasise the benefits of targeted checking on the basis of known common errors identified through our testing.</p>
2	<p>The Council is assessed on the level of "Local Authority (LA) error" arising from processing claims, and subsidy is available for Councils which minimise this type of error. In the 2012/13 final claim, the Council was entitled to £60,481 of LA error subsidy. If the level of LA error increased above £70,721, the Council would lose £36,289, being 60% of this subsidy, and above £79,561 100% of this subsidy would be lost. This year the threshold was not breached by £1,890. Note, these thresholds vary year on year, depending on the level of benefit expenditure.</p>	<p>Two new assessors were hired in Sept 2014 and begun to reduce the backlog, extending different assessment methodologies such as face-to-face assessment at Ryedale House.</p> <p>The level of extrapolated error is much lower this year at £6 and has therefore not impacted the LA error threshold. The Council remains under the lower threshold for LA error and admin delay, and £52,627 of subsidy is receivable for 2013/14. Were this to have increased above £54,802, the level of subsidy receivable would have been reduced by 60%.</p>

Note: no further observations raised in 2013/14.

5. Closing remarks

This report has been discussed and agreed with the Corporate Director of the Council. A copy of the report will be presented at the next Overview and Scrutiny Committee meeting.

We would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the certification work.



Deloitte LLP
Chartered Accountants

23 February 2015

The matters raised in this report are only those that came to our attention during our certification work and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the certification methodologies as they are derived solely from the Audit Commission.

This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

Appendix 1: Analysis of certification fees

Claim or return	2013/14 £'000	2012/13 £'000
Housing benefit subsidy claim	15.3	18.4
National non-domestic rates return	n/a	2.9
Total	15.3	21.3

A further grant for the Homes and Communities Agency was certified this year, outside the Audit Commission contract, for a fee of £2,000.

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REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	23 APRIL 2015
REPORT OF THE:	FINANCE MANAGER (s151) PETER JOHNSON
TITLE OF REPORT:	INTERNAL AUDIT – PROGRESS REPORT
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 The report summarises the outcome of internal audit work undertaken between April 2014 and 31st March 2015, inclusive.

2.0 RECOMMENDATION(S)

- 2.1 It is recommended that the Committee note the results of audit and fraud work undertaken so far during 2014/15.

3.0 REASON FOR RECOMMENDATION(S)

- 3.1 To enable the Committee to fulfil its responsibility for considering the outcome of internal audit work.

4.0 SIGNIFICANT RISKS

- 4.1 The Council will fail to comply with proper practice requirements for internal audit if the results of audit work are not considered by an appropriate Committee.

5.0 POLICY CONTEXT AND CONSULTATION

- 5.1 This report supports the Council's Corporate Strategic Objective of providing strong Community Leadership, by demonstrating a commitment to local democracy and accountability.

6.0 REPORT DETAILS

- 6.1 The work of internal audit is governed by the Accounts and Audit (England) Regulations 2011 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS) and CIPFA guidance on the application of those standards in Local Government. In accordance with the standards, the Head of Internal Audit is required to report on the results of audit work undertaken, to this Committee

- 6.2 Within the report there is a summary of progress made against the plan and a summary of the audit opinions for the individual audits completed thus far.
- 6.3 In the period between 1st April 2014 and 31st March 2015 we have fully completed **8** out of **18** internal audit reviews. As at 31st March 2015, **4** audits have had draft reports issued, and on **2** audits we have concluded our audit fieldwork. The remaining **4** audits are in progress.
- 6.4 It is important that agreed actions are formally followed-up to ensure that they have been implemented by management. This work is carried out throughout the year with appropriate testing being completed as required. We have no matters to bring to the attention of Members.

7.0 IMPLICATIONS

- 7.1 The following implications have been identified:
- a) Financial
None
 - b) Legal
None
 - c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)
None

Peter Johnson
Finance Manager (s151)

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Background Papers:

Public Sector Internal Audit Standards
CIPFA Local Government Application Note (for the United Kingdom Public Sector Internal Audit Standards)



Ryedale District Council
Internal Audit Progress Report 2014/15
Period to 31 March 2015

Audit Manager: Stuart Cutts
Head of Internal Audit: Max Thomas

Circulation List: Members of the Overview and Scrutiny Committee
Chief Executive
Finance Manager (S151 Officer)

Date: 23rd April 2015



Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations and the Public Sector Internal Audit Standards (PSIAS). In accordance with the PSIAS, the Head of Internal Audit is required to report, to those charged with governance, progress against the internal audit plan agreed by the Committee and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 Members of this Committee approved the Internal Audit Plan 2014/15 at their meeting on the 10 April 2014. The total number of planned audit days for 2014/15 was 225. This report summarises the progress made in delivering the agreed plan.
- 3 This is the third Internal Audit progress report to be received by the Overview and Scrutiny Committee in 2014/15.

Internal Audit work completed in 2014/15

- 4 In the period between 1 April 2014 and 31 March 2015 we have fully completed **8** out of **18** internal audit reviews. As at 31 March 2015, a further **4** audits have had draft reports issued, and on **2** audits we have concluded our audit fieldwork. The remaining **4** audits are in progress.
- 5 We are on target to deliver the agreed Audit Plan by the end of April 2015. Further information on the progress of the audits from the agreed 2014/15 audit plan is included in **Appendix A**.
- 6 Further information on the findings from each of the completed audits since the last Overview and Scrutiny Committee are included in **Appendix B**.
- 7 The reports highlight no significant risks to the Council.

Audit Opinions

- 8 For all our reports we provide an overall opinion on the areas under review. The opinion given is based on an assessment of the risks associated with any weaknesses in controls identified. We also apply a priority to all actions agreed with management. Further information on each of these areas is included in **Appendix C**.

Updates to the 2014/15 Plan

- 9 Following the last Overview and Scrutiny meeting in January 2015 there have been some minor revisions to the 2014/15 Audit plan.
- 10 We agreed with officers not to complete the planned work on the Community Infrastructure Levy (CIL) as the scheme has not sufficiently progressed. In its place, we used the time to undertake further work in relation to creditor payments. On Asset Management, work is currently ongoing by management to consider these arrangements for the future. We therefore used the allocated time to instead undertake further work on the Payroll and Debtors audits.

Wider Internal Audit work

11 In addition to undertaking assurance reviews, Veritau officers are involved in a number of other areas relevant to corporate matters:

- **Support to the Overview and Scrutiny Committee;** this is mainly ongoing through our attendance at meetings of the Committee and the provision of advice to Members as required.
- **Ongoing support to management and officers;** we meet regularly with management to listen and provide advice on a range of specific business and internal control issues. These relationships help to provide 'real time' feedback on areas of importance to the Council. I have attended Management Team meetings in January and February. We have also helped the Authority with work on the 2013/14 DWP Housing Benefits claim.
- **Follow up of previous audit recommendations;** it is important that agreed actions are regularly and formally 'followed up'. This helps to provide assurance to management and Members that control weaknesses have been properly addressed. In 2014/15, we have followed up agreed actions either as part of our ongoing audit work, or by separate review. We currently have no matters to report as a result of follow up work.

Stuart Cutts
Audit Manager
Veritau Ltd

1 April 2015

Table of 2014/15 audit assignments to 31st March 2015

Audit	Status	Assurance Level	Audit Committee
Strategic Risk Register			
Affordable Housing / New Homes Bonus	Completed	Substantial Assurance	April 2015
Community Infrastructure Levy	Cancelled	-	-
Capital Programme	Completed	High Assurance	November 2014
Fundamental/Material Systems			
Council Tax / NNDR	Fieldwork completed		
Sundry Debtors	Draft Report issued March 2015		
Housing Benefits	Draft Report issued March 2015		
Creditors	In progress		
Income / Receipting System (s)	In progress		
Payroll	Completed	Moderate Assurance	November 2014
General Ledger	In progress		
Asset Management	Cancelled	-	-
Regularity Audits			
Risk Management Process	Fieldwork completed		
Development Control	Completed	High Assurance	April 2015
Member Development	Completed	High Assurance	January 2015
Technical/Project Audits			
ICT	Two draft Reports issued March 2015		
Projects	Completed	No opinion given	April 2015
Review of Garden Waste and Cheque procedures	Completed	No opinion given	January 2015
Follow-Ups	In Progress		

Summary of Key Issues from audits completed to 31st March 2015; not previously reported to Committee

Appendix B

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Affordable Housing / New Homes Bonus	Substantial Assurance	We reviewed the controls the Council has in place to manage key risks relating to Affordable Housing and the New Homes Bonus	March 2015	<p>Strengths We found the Council has used strategies to reduce the number of empty properties and to maximise the delivery of affordable housing. An effective Rural Housing Enabler Scheme is in operation with nine rural affordable housing schemes in progress in the Ryedale area. The Council has also established a procedure for investigating empty properties. An Empty Homes Officer works with owners to help bring empty properties back into use. The council has also sponsored a local Landlord's Forum.</p> <p>181 empty homes have been brought back into use in Ryedale since 2011/12. As well as improving the local housing supply, this work has resulted in the payment of New Homes Bonus (NHB) Grant on each of these properties.</p> <p>Performance indicators for new homes and, affordable homes built and the number of empty properties are in place and reported to officers and members as part of performance monitoring and the Corporate Risk Register.</p> <p>Weakness There is currently no process to ensure the DCLG NHB allocation is checked for accuracy (that the correct number of properties is used in the allocation figures). This is currently difficult to do due to a lack of information and guidance from DCLG on the figures to be used in the calculation. The Local Taxation Manager maintains a New Homes Bonus calculation summary which can be checked to the DCLG figures as/when required and is also used for budgeting due to its accuracy.</p>	Management have agreed that an officer will check and agree (for reasonableness) the calculation of the New Homes Bonus when notification is received by the DCLG and on an ongoing basis as/when required.

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Development Control	High Assurance	<p>We reviewed the management arrangements the Authority has in place to ensure planning applications are appropriately processed, complaints and enforcement work are recorded and followed up and the Authority receives all income due from planning fees.</p> <p>We also assessed the progress made to implement the agreed actions resulting from our 2013/14 audit of S106 agreements.</p>	March 2015	<p>Strengths Our work involved a review of a sample of planning applications. We concluded for all those reviewed that the expected policies and procedures were being followed.</p> <p>We also reviewed the performance management of the planning process. As reported by the Chief Executive in June 2014 ('Delivery of the Council's Priorities 2013/14') further investment had been made to help reduce the time taken to process planning applications. Our review has noted that performance on all three categories (Major, Minor and Other) has improved since then. The percentage of:</p> <ul style="list-style-type: none"> • Major applications determined within 13 weeks has risen from 52% to 75% (target 70%) • Minor applications determined within 8 weeks have risen from 56.7% to 69.7% (target 78%), • Other applications determined within 13 weeks have improved from 74.85% to 89.4% (target 93%). <p>Weakness Four of the five actions arising from our 2013/14 audit of S106 Agreements depended on expected upgrades to the Uniform system. However, extensive problems have meant that the system provider, Idox, have had to delay the upgrade. As a result the new target date for completion of these outstanding actions is 30 June 2015. We will follow up progress on S106 agreements as part of our 2015/16 programme of follow up work.</p>	No specific management actions required. Management are already aware of the progress required on the outstanding actions arising from 2013/14's audit of S106 Agreements.

Audit Opinions and Priorities for Actions

Audit Opinions	
<p>Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.</p> <p>Our overall audit opinion is based on 5 grades of opinion, as set out below.</p>	
Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance (Moderate)	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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RYEDALE
DISTRICT
COUNCIL



Planning Report to the Overview and Scrutiny Committee for year ending 31 March 2015

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I am delighted to present this planning report for the 2014/15 audit of Ryedale District Council. This report sets out our audit approach and the more significant areas where we will focus our attention this year.

Paul Thomson, Audit Partner



The big picture

The big picture

We have set out below an overview of the key developments at the Council and the more significant matters we have considered in developing this Audit Plan. We consider these matters as part of our audit risk assessment and this determines where we will focus our work. Details of the impact of these matters on our approach are set out in this Audit Plan.

Relevant developments

- At month six the Council was forecasting a General Fund projected surplus of £65k for the full year, with favourable variance against budget of £277.5k for the 6 months to 30 September. This was identified as being a result of salary savings and additional income from development fees.
- At the end of Q3, there is no shortfall predicted at this stage in financing this year's General Fund Capital Programme.

General Fund net expenditure

£65k projected full year surplus

£277.5k favourable variance against budget at 30/09/14

General Fund Capital expenditure

£2.430m budgeted

£2.328m Forecast outturn as at 31/01/15

Key developments in financial reporting requirements

- Changes have been made to the Code of Practice, incorporating new guidance. We have assessed the impact of these changes with management, and conclude that they are expected to have limited impact on financial reporting for the Council.
- Further clarification regarding the frequency of revaluations for properties. This now includes examples in areas such as: frequency of valuations for property, plant and equipment, component accounting and impairment of assets.
- The Code has been updated to reflect the amendments to IAS 1, in respect of the new requirements for comparative information and clarification regarding the complete list of financial statements.
- A new section has been added to include CIPFA's updated 'How to Tell the Story', which is intended to help senior staff present the financial statements to members and other key stakeholders.

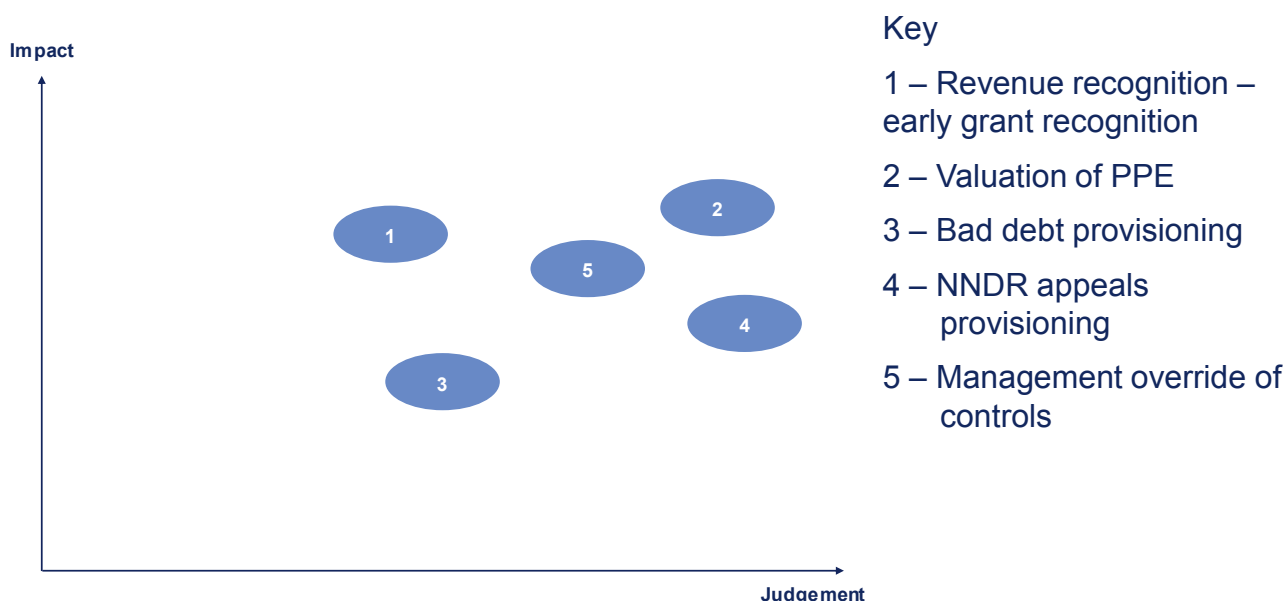
A reminder of our conclusions in 2013/14

Our audit opinion and audit adjustments

In September 2014, we issued the Council with an unmodified audit opinion on the financial statements. No individually material adjustments were made to the accounts, with the cumulative value of all adjustments also being immaterial.

Identified significant risks for 2014/15

Key areas of audit focus for 2014/15



Our significant risks for 2014/15 are presented in the graph above.

These risks are similar to those raised in our 2013/14 audit, and have been identified on the basis of our understanding of the Council, its objectives and the environment in which it operates.

The risk relating to NNDR appeals, added in 2013/14, has been retained for 2014/15, reflecting the new responsibility the Council has in this area, following the localisation of business rates.

Further details on each of the identified significant risks are presented later in this report.

Value for Money conclusion

We have not identified any significant risks in respect of our Value for Money conclusion.

We have considered the criteria specified by the Audit Commission as well as other factors directly affecting the Council, and concluded there are no significant risks to report on.

We will perform additional procedures as part of our review in support of our VfM conclusion

Changes in your Statement of Accounts



Changes in your Statement of Accounts

New reporting requirements

We welcome this opportunity to set out for the Overview and Scrutiny Committee a summary of the latest developments in financial reporting which will impact this year end.

Change in Code of Practice on Local Authority Accounting requirements	Impact on Richmondshire District Council
<ul style="list-style-type: none"> • A new Module 10 – Other Accounting Themes has been included in the 2014/15 Code Guidance Notes to provide practitioners with specific guidance in particular areas and includes: • Accounting for schools in local authorities in England and Wales, providing detailed guidance to assist local authorities with the consolidation of schools income, expenditure, assets, liabilities and reserves in their single entity financial statements. • Relevant extant LAAP Bulletins, including: <ul style="list-style-type: none"> • LAAP Bulletin 99 Reserves and Balances • LAAP Bulletin 100 Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17, and • LAAP Bulletin 86 (Update) Componentisation of Property, Plant and Equipment. 	<ul style="list-style-type: none"> • This is not relevant to the Council.
<ul style="list-style-type: none"> • Group Accounts – Module 9 includes extensive revisions to reflect the introduction of the requirements of the five new or amended standards introduced by the IASB in May 2011, ie IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Ventures, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements (as amended in 2011) and IAS 28 Investments in Associates and Joint Ventures (as amended in 2011). 	<ul style="list-style-type: none"> • This is not relevant to the Council.
<ul style="list-style-type: none"> • Accounting for local government reorganisation and other combinations – Module 2 has been updated to reflect the provisions of section 2.5 of the Code, which have been clarified and augmented, including a new definition of a function, clarification of the requirements for a transfer by absorption or a transfer by merger and relevant disclosure requirements. 	<ul style="list-style-type: none"> • This is not relevant to the Council.



Changes in your Statement of Accounts (continued)

New reporting requirements

Change in Code of Practice on Local Authority Accounting requirements	Impact on Richmondshire District Council
<ul style="list-style-type: none"> The Carbon Reduction Commitment Energy Efficiency Scheme – Module 2 has been updated for the consequences of the accounting requirements for the second phase of the scheme, which commenced in April 2014 and runs until March 2019. 	<ul style="list-style-type: none"> This is not relevant to the Council.
<ul style="list-style-type: none"> Presentation of financial statements – Module 3 includes changes to section 3.4 of the Code on the presentation of financial statements to reflect the amendments to IAS 1 in respect of the new requirements for comparative information and clarification regarding the complete list of financial statements. 	<ul style="list-style-type: none"> This is relevant to the Council and management should consider the amendments to IAS1 and comparative information.
<ul style="list-style-type: none"> Example Financial Statements – a new section C has been added to include CIPFA’s updated How to Tell the Story, which is intended to help CFOs and other senior staff present the financial statements to members and other key stakeholders, by explaining how the formats can be used to convey key information in these areas, and covers the main financial statements. It also includes the Public Finance article ‘Clearing Out the Clutter’. 	<ul style="list-style-type: none"> This is something for management to consider when preparing the financial statements for 2014/15.
<ul style="list-style-type: none"> Module 4 has been augmented to reflect the latest thinking in a number of areas and practitioners’ FAQs and provides additional clarification guidance and examples in areas such as frequency of valuations for property, plant and equipment, component accounting and impairment of assets. 	<ul style="list-style-type: none"> This is relevant to the Council and management should consider this in relation to PPE valuations and impairment.
<ul style="list-style-type: none"> IAS 32 Financial Instruments – Module 7 has been updated to reflect the amendments to IAS 32 Financial Instruments: Presentation (Offsetting Financial Assets and Liabilities), December 2011, as introduced by the 2014/15 Code, which requires reference to the amended application guidance for offsetting financial assets and liabilities, where applicable. 	<ul style="list-style-type: none"> This is not relevant to the Council.

Scope of work and approach

This section sets out our planned scoping for the audit of the Council's financial statements, as well as in relation to our other responsibilities as your external auditors. We confirm the extent to which reliance will be placed on internal controls and how this decision has been reached.

Scope of work and approach

We have five key areas of responsibility under the Audit Commission's Code of Audit Practice

Financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISA (UK and Ireland)") as adopted by the UK Auditing Practices Board ("APB") and the Audit Commission's Code of Audit Practice. The Council will prepare its accounts under the Code of Local Authority Accounting. There are no significant changes in respect of the scope of our work in relation to this area of responsibility.

Assurance report on the Whole of Government Accounts return

Whole of Government Accounts (WGA) are commercial-style accounts covering the whole of the public sector and include some 1,700 separate bodies. We expect to perform limited procedures on the Council's consolidation pack, to confirm further procedures are not necessary. This is in line with the requirements of previous years.

Value for Money conclusion

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our conclusion is given in respect of two criteria:

- Whether the organisation has proper arrangements in place for securing financial resilience
- Whether the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

In discharging this responsibility, we take into account our work on the Annual Governance Statement and the work of regulators.

Grants

Under Section 28 of the Audit Commission Act 1998, the Commission is responsible for making arrangements for certifying claims and returns in respect of grants or subsidies made or paid by any Minister of the Crown or a Public Authority to a Local Authority.

The appointed auditor carries out work on individual claims and returns as an agent of the Commission under certification arrangements made by the Commission which comprise certification instructions which the auditor must follow.

We produced an annual report summarising our work in respect of grants which was discussed at the Overview and Scrutiny Committee.

The only the grant we certify now under the Commission's arrangements relates to the Council's claim from the Department of Work and Pensions for Housing Benefit Subsidy.

Annual Governance Statement

We are required to consider the completeness of the disclosures in the Annual Governance Statement in meeting the relevant requirements and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and other work.

We will also review reports from regulatory bodies and any related action plans developed by the Council.

Scope of work and approach (continued)

Independence

We confirm we are independent of the Council. We will reconfirm our independence and objectivity to the Overview and Scrutiny Committee or the year ending 31 March 2015 in our final report to the Committee. Appendix 1 sets out proposed fees for the year.

Approach to controls testing

As set out in "Briefing on audit matters" included as Appendix 6, our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I").

We will consider the results of our procedures in respect of the Council's controls and the extent of any impact our findings have on our substantive audit procedures.

Obtain and refresh our understanding of the Council and its environment including the identification of relevant controls

Identify risks and any controls that address those risks

Carry out 'design and implementation' work on relevant controls

If considered necessary, test the operating effectiveness of selected controls

Design and perform a combination of substantive analytical procedures and tests of details that are most responsive to the assessed risks

Scoping of material account balances, classes of transactions and disclosures

We perform an assessment of risk which includes considering the size, composition and qualitative factors related to account balances, classes of transactions and disclosure. This enables us to determine the scope of further audit procedures to address the risk of material misstatement. We will report to you any significant findings from our scoping work.

Liaison with internal audit

We continue to rely on the work of the Internal Audit function to inform our risk assessment. The Auditing Standards Board has issued a revised version of ISA (UK and Ireland) 610 "Using the work of internal auditors". This prohibits use of internal audit to provide direct assistance to the audit. Our current approach to the use of the work of Internal Audit has been designed to be compatible with the new requirements, and will not change the existing scope of Internal or External Audit's work. However, this will prevent us from further increasing the extent of our use of Internal Audit's work in future.

We plan to hold discussions with the Head of Internal Audit to understand the work they have performed in the year and any weaknesses they have identified in the control environment, so we can assess their impact and plan our audit response.

IT planning

As part of our planning procedures we have conducted a review of the IT arrangements at the Council. There are no significant points arising from our review, however we will discuss our findings with management.



Significant audit risks

This section sets out our comments regarding the significant audit risks identified. We explain the nature of the risk itself, how these risks will be addressed by our audit work and any related presentational and/or disclosure matters within the financial statements.

Risk assessment is at the heart of our integrated audit approach as it is only with proper identification of the most significant audit risks, that we are able to provide the highest quality assurance in the most efficient and effective manner.

We perform an assessment of risk which includes considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures. This enables us to determine the scope of further audit procedures to address the risk of material misstatement. We will report to you any significant findings from our scoping work.

For the Council's 2014/15 financial statements, we have estimated materiality of £400k, based on gross revenue expenditure for 2013/14. We will report to the Overview and Scrutiny Committee on all unadjusted misstatements greater than **£13k** and other adjustments that are qualitatively material.

1. Revenue recognition

We consider a significant risk exists in relation to the early recognition of grant income where conditions exist

We have identified the early recognition of grant income as a significant risk on the grounds that:

- The Code of Practice on Local Authority Accounting states that grant income cannot be recognised until all conditions associated with it have been met;
- Many financially significant grants contain detailed conditions restricting their recognition which management needs to assess;
- Management makes key judgements as to whether the grant conditions have been met, and these judgements could be prone to bias; and,
- Recognising income in an incorrect period would be a method by which management may seek to improve the financial performance of the Council in order to present a more favourable year end position.

ISA240 requirements

International Standards of Auditing (UK and Ireland) 240 – *The auditor's responsibility to consider fraud in an audit of financial statements* requires us to presume that there is a risk of fraud with respect to the recognition of revenue.

This is because of the significance of revenue transactions to the financial statements.

We have assessed the Council's different income streams and targeted our significant risk against the types of revenue we believe are most prone to material misstatement.

This consideration is made before we consider the adequacy of the controls management has put in place to mitigate the risk.

Our approach

- We will test the design and implementation of controls management has put in place to ensure grant income is recognised in the correct period and not before any conditions on the grants use have been met.
- We will conduct detailed substantive testing of both the revenue and capital grant income recognised by the Council in the year to determine the appropriateness of recognising the income.
- We will also perform procedures to test the completeness of grant income, using data from independent sources to ensure all grants the Council is scheduled to receive have been recognised.

2. Valuation of Property, Plant and Equipment

We consider a significant risk exists in relation to the valuation of PPE assets owing to the prevailing conditions in the property market at this time.

We have considered the nature of the Property, Plant and Equipment (PPE) balance and concluded that a significant risk exists in relation to the valuation of Land and Buildings. This is because:

- The Council holds significant amounts of Land and Buildings (£13.684m net book value as at 31/3/14);
- Whilst the property market is recovering, there remain uncertainties around the valuation of a number of assets; and
- Effective valuations require the use of expert knowledge to maintain materially accurate valuations, and the assessment of market values are inherently judgemental.

Impact on the Council

The value of Land and Buildings is held on the Council's Balance Sheet, with revaluation gains recognised in the Revaluation Reserve, and losses recognised in the Revaluation Reserve, such that there is a balance for that asset, and then in the Comprehensive Income and Expenditure Statement as an impairment.

Changes in value do not affect the Council's "bottom line", as statutory overrides reverse impairments to the Capital Adjustment Account, meaning the Council would not have to raise council tax to fund impairment losses.

However, where an impairment is caused by the reduced service potential of an asset (rather than a change in value), the Council could face charges to repair the building and restore the asset so it is fit for use.

Our approach

- We will test the design and implementation of controls management has put in place to ensure Land and Buildings are materially fairly stated in the Balance Sheet.
- We will test a sample of valuations, consulting with our specialist valuation colleagues where we consider it necessary, and reviewing the changes in valuation trends in the wider area to determine the reasonableness of the carrying values of Property Plant and Equipment. We will ensure these valuations are correctly reflected in the ledger.
- We will also test the disclosure of PPE balances in the accounts, particularly with reference to the disclosures of valuation movements and methodologies.

3. Calculation of bad debt provision against debtors

The calculation of the bad debt provision against debtors is a significant audit risk in view of different judgements and assumptions used in calculating the provision for the various sub-categories of debt.

31/03/14 **Gross debtors (£m)**
£3.184m

Provision (£m)
£0.487m

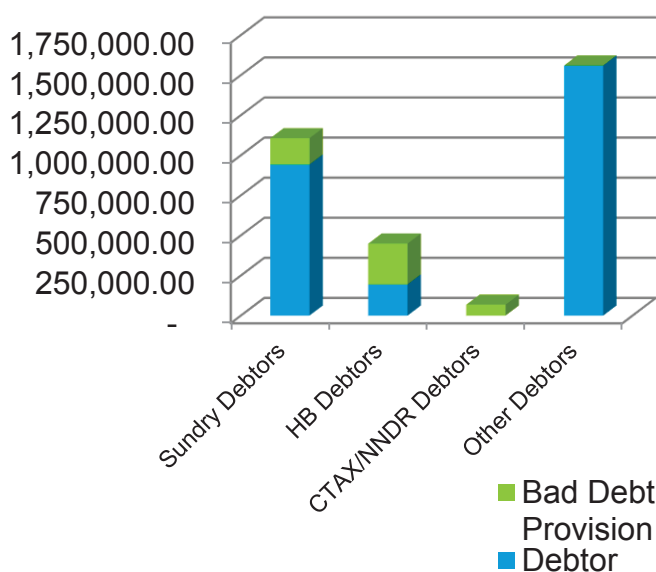
We have identified the calculation of the bad debt provision against sundry debts as a significant risk. This is because:

- Different types of debt are assigned different proportions of the provision, based on experienced likelihood of the debtor being received; and
- Significant management judgement is applied in determining the level of provision and this should be based on sound assumptions and methodology. The provision against sundry debts totalled £0.487m out of gross debtors of £3.184m at 31 March 2014.

Our approach

- We will challenge management’s methodologies and assumptions used to calculate the bad debt provision and the evidence to support the approach.
- We will consider whether provisions appropriately reflect the impact of the changing economic conditions and welfare reforms by reference to recent collection performance and trends.
- We will test the integrity of the ageing data which the Council uses to profile debtors by age, to confirm that the base data which is provided against is accurate.

Debtors and Bad Debt Provisions at 31/3/2014



Impact on the Council

Good recovery of debtors is the hallmark of sound financial management and illustrates robust processes for raising and chasing debts.

An inappropriate provision can mask an underlying weakness in debt collection or cause problems for the Council’s cash flow.

4. Completeness of NNDR appeal provisions

The localisation of business rates places new responsibilities on the Council.

We have identified the completeness of any provision for NNDR appeals as a significant risk. This is because:

- The localisation of business rates passes the risks and rewards associated with National Non-Domestic Rates (NNDR) on the Council for the first time;
- Previously the Council was responsible for collecting the rates due, paying these to central government and receiving grant income to fund services;
- This represents a significant unusual transaction, and the accounting entries arising from NNDR appeals have significant management judgement in determining their appropriateness.

Impact on the Council

From our initial inquiries, we understand a number of significant business ratepayers have appealed against the ratings provided by the Valuation Office Agency (VOA).

We are also aware that other Council have recently paid out significant appeals following instruction by the VOA. It follows that if this was to occur at Ryedale, there would be a significant impact on the resources of the Council.

The Council entered a risk pooling arrangement for NNDR with a number of North Yorkshire councils from the 1 April 2014. We will consider the impact this has on the accounting disclosures, and discuss with management its oversight of the new arrangements.

Our approach

- We will review the controls management has in place for assessing the required accounting entries and determining any estimated provision, if necessary, and conclude whether these have been designed and implemented effectively.
- We will review a detailed sample of appeals made and consider the appropriateness of the accounting decisions made by the Council.
- We will review the disclosures made by the Council in terms of the adequacy, sufficiency and clarity to ensure the accounts present a true and fair record in this regard.

5. Management override of controls

In accordance with International Standards on Auditing (ISA 240), we presume that there is a risk of fraud as a result of Management override of controls.

Our approach

- We will test the design and implementation of controls management has put in place to ensure all journals are appropriately authorised, and that there is appropriate review of accounts and reconciliations to address management override of controls.
- We will consider those significant accounting estimates, which may be subject to Management bias, as set out in the other risks described in this section. We will request management provides a paper analysing the key estimates used in preparing the financial statements, and justifying their appropriateness. This is in line with developing good practice, to ensure Those Charged With Governance (the Overview and Scrutiny Committee) take ownership of the key judgements made in preparing the accounts.
- We will also perform focussed work on the testing of journals, using data analytics to profile the journal population and focus our testing on higher risk journals; significant accounting estimates, and any unusual transactions, including those with related parties.
- We will use enhanced data analytics to provide support and enable more targeted testing of items which bear the characteristics of a risk.

Data Analytics

We will use our patented Data Analytics tool to drill down into balances and undertake more focussed testing, more appropriate to the account balance or class of transaction. Analytics enables us to undertake sample testing in a risk-focused and user-friendly way.

We are embedding data Analytics technology in all our testing. This provides audit teams on the ground with a range of tools to understand trends in data and highlight areas of audit interest, allowing for more focussed and meaningful testing of risk areas.

We will use Data Analytics to give us insight into your annual financial statements. We will also use Data Analytics to identify high risk journals for our testing the specific identified risk of Management override of controls.

Data Analytics tools will help us to deliver audits in faster, better way.

Value for money conclusion

Value for money conclusion

Our work will focus on the extent to which the Council has proper arrangements in place to secure value for money

Scope

Under the Code of Audit Practice 2010, we are required to include in our audit report a conclusion on whether Ryedale District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources - this conclusion is known as the “VFM conclusion”.

Specified criteria for auditors’ VFM conclusion	Focus of the criteria for 2015
The organisation has proper arrangements in place for securing financial resilience.	The organisation 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 organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Approach to our work

We draw sources of assurance relating to our VFM responsibilities from:

- the audited body’s system of internal control as reported on in its Annual Governance Statement;
- the results of the work of the Commission, other inspectorates and review agencies to the extent that the results come to our attention and have an impact on our responsibilities;
- any work mandated by the Commission – of which there is none in 2015; and
- any other locally determined risk-based VFM work that auditors consider necessary to discharge their responsibilities.

Preliminary assessment

Our preliminary assessment is that there are no significant risks in relation to our VFM responsibilities which requires local work to be carried out and we have therefore not identified any significant risks in our audit plan. This preliminary view is based on the undertaking of a risk assessment, which involves consideration of common risk factors for local authorities identified by the Audit Commission, concluding on whether they represent actual risks for the purpose of our VFM conclusion on Ryedale District Council

We have undertaken this preliminary work through review of relevant documentation, including cabinet and committee papers, and discussion with officers as necessary. We will update our detailed risk assessment from April to take account of the outturn financial and performance information for 2014/15, and through our consideration of what has been reported in the Annual Governance Statement, matters reported by regulators and other matters which have come to our attention from our work carried out in relation to our other Code responsibilities.

Responsibility statement

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the financial statement audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. We enhance this reporting with observations arising from our audit work which are designed to help the Overview and Scrutiny Committee discharge its governance duties. Our report includes:

- Our audit plan, including key audit judgements and the planned scope and timing of our audit
- Key regulatory and corporate governance updates, relevant to you

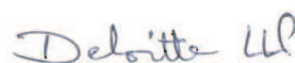
What we don't report

- As you will be aware, our audit is not designed to identify all matters that may be relevant to the Committee.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by Management or by other specialist advisers.
- Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Other relevant communications

- This report should be read alongside the supplementary "Briefing on audit matters" which we have included as Appendix 6 to this report.
- We will update you if there are any significant changes to the audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.



Deloitte LLP
Chartered Accountants

Leeds
7 April 2015

This report has been prepared for the Overview and Scrutiny Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Appendices

Appendix 1: Independence and fees

We confirm we are independent of Ryedale District Council

As part of our obligations under International Standards on Auditing (UK & Ireland) we are required to report to you on the matters listed below:

Independence confirmation	We confirm we are independent of Ryedale District Council and will reconfirm our independence and objectivity to the Overview and Scrutiny Committee for the year ending 31 March 2015 in our final report to the Committee.
Fees	Our audit fees are set by the Audit Commission in line with national scale fees. Details of the non-audit services fees proposed for the period have been presented separately on the following page.
Non-audit services	In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Appendix 1: Independence and fees (continued)

We have set out below our audit fees for 2014/15

The table below details our proposed audit fees and non-audit fees for the year ending 31 March 2015 for those services for which we have been engaged or proposed for as at the date of this report.

	Current year £'000	Prior year £'000
Fees payable in respect of our work under the Code of Audit Practice in respect of Ryedale District Council's annual accounts, assurance report on the Whole of Government accounts and the value of money conclusion	56	55
Fees payable for the certification of grant claims (note 1)	16	15
Total fees payable in respect of our role as Appointed Auditor	72	70
Non audit fees (note 2)	-	2

Note 1:

The only the grant we certify now under the Commission's arrangements relates to the Council's claim from the Department of Work and Pensions for Housing Benefit Subsidy. The Commission accept that grants work varies year on year and the work in scale fee basis year may not be representative of the work required in 2014/15 and hence an adjustment may be required once the 2014/15 work is complete.

Note 2:

Deloitte have not undertaken any additional non-audit work at the Council in 2014/15. The certification of grant claims is an inherent part of the Audit Commission's audit regime, and we (and the Commission) do not consider these fees to be non-audit services. In 2013/14 we certified one grant claim outside of the Commission's arrangements for a fee of £2,000.

Appendix 2: Fraud: responsibilities and representations

As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Characteristics

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

Responsibilities

Your responsibilities

- The primary responsibility for the prevention and detection of fraud rests with Management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Our responsibilities

- We are required to obtain representations from your Management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in Section 2 above we have identified the risk of fraud in revenue recognition and management override of controls as a key audit risk for the Council.

Our responsibilities and those of the Council are explained in the Audit Commission's publication, 'The responsibilities of Auditors and of Audited Bodies – Local Government' issued March 2010.

Appendix 2: Fraud: responsibilities and representations (continued)

We make enquiries of Management, internal audit and the Overview and Scrutiny Committee regarding fraud.

We will make the following inquiries regarding fraud:

Management	Internal Audit	The Overview and Scrutiny committee
<p>Management's assessment of the risk that the financial statements may be materially misstated due to fraud including the nature, extent and frequency of such assessments. Management's process for identifying and responding to the risks of fraud in the entity.</p> <p>Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.</p> <p>Management's communication, if any, to employees regarding its views on business practices and ethical behaviour. Whether Management has knowledge of any actual, suspected or alleged fraud affecting the entity.</p>	<p>Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, to obtain their views about the risks of fraud, and to obtain status reports on fraud cases during 2014/15.</p>	<p>How the committee exercises oversight of Management's processes for identifying and responding to the risks of fraud in the entity and the internal control that Management has established to mitigate these risks.</p> <p>Whether the committee has knowledge of any actual, suspected or alleged fraud affecting the entity.</p>

We will request the following to be stated in the representation letter signed on behalf of the Committee:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and] that affects the entity or group and involves:
 - (i) Management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix 3: Your audit team

A senior team, with continuity from last year, that incorporates specialists to perform audit work over grants and also provide insight and add value to the Council. Our team is selected from our group of public sector specialists.



Paul Thomson
Engagement Partner



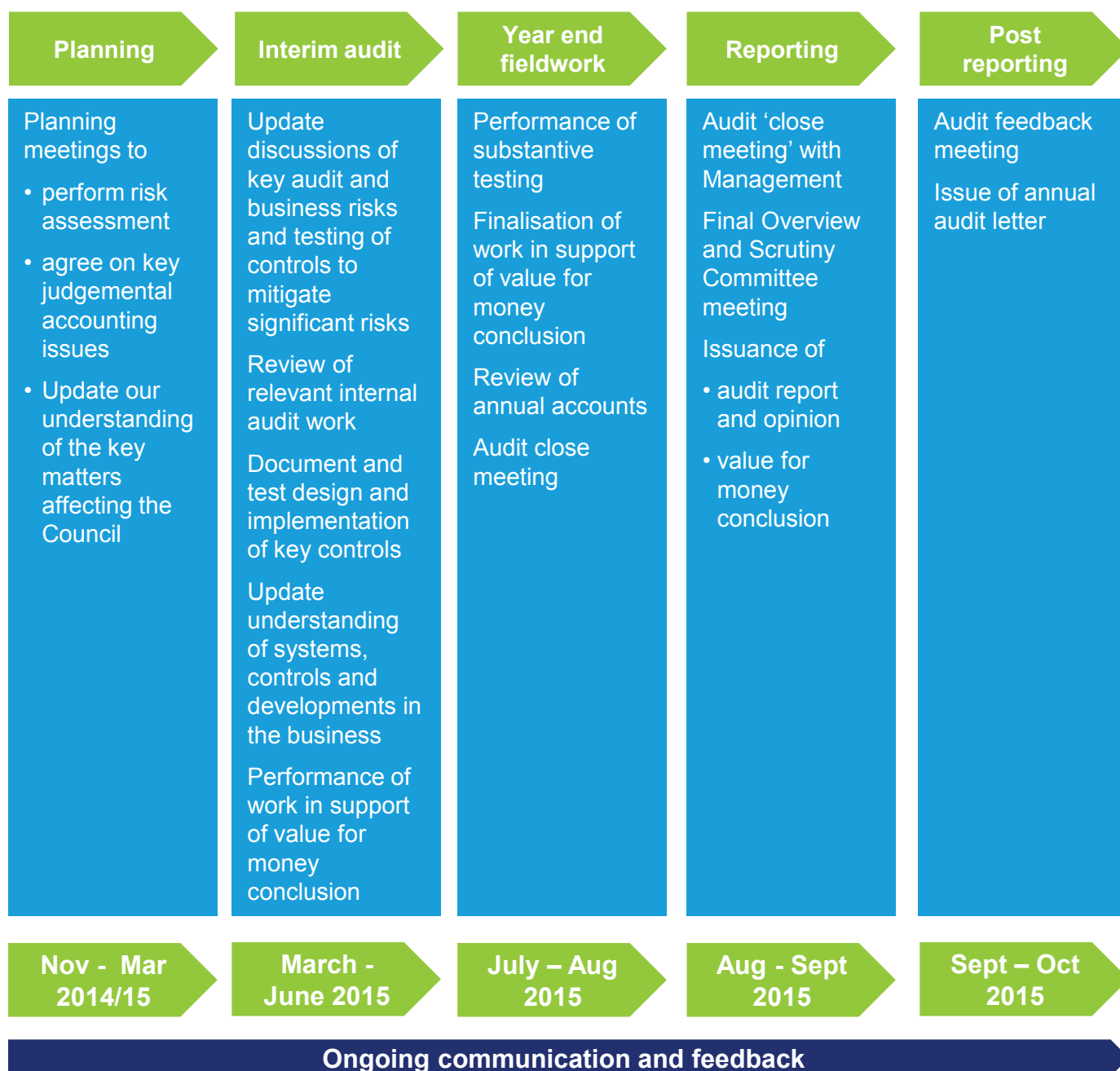
Sarah Anderson
Associate Director



Charlotte Hedar
Assistant Manager

Appendix 4: Timetable

Set out below is the approximate expected timing of our reporting and communication with Management and those charged with governance.





Appendix 5: State of local public services

We summarise the outcome of our research which provides further context for our audit

During the spring and summer of 2014, Deloitte conducted detailed research to answer a simple question: what is the state of the UK state? As part of the research, we commissioned IPSOS MORI to capture the attitudes of people that run local public services. The results provide a snapshot of local services during a period of profound change.

We have summarised the key messages in relation to local public services below.

Overall

Overall chief executives told us that they feel their organisations are coping well and responding effectively to the challenging circumstances.

Many of the executives we interviewed confirmed that they had been able to maintain standards in service delivery and, in some cases, make improvements as budgets were cut.

Pride and pragmatism

Faced with unprecedented budget reductions, public sector organisations have adapted significantly since 2010, with less impact to their services than some feared.

Most interviewees described a real sense of pride in their organisations. Many also shared a pragmatic view that even though some changes were unwelcome, their organisations had improved as a result of austerity pressures.

Risk, uncertainty and crises lie ahead

Whilst the executives we interviewed were generally upbeat about their change management and resilience over the past five years, most were less optimistic about the next five.

Some told us about a sense of fatigue and many expressed a real worry that their organisation or its wider sector would not be able to cope with continued austerity beyond the next UK General Election.

Whilst almost all of our interviewees shared a concerned outlook for the future, some felt that the level of challenge facing their organisation made a crisis inevitable in the next few years.

The public sector craves a more constructive political narrative

Our research suggests that those running our public services are craving a more constructive and collegiate political narrative, both nationally and locally.

Public sector chief executives believe that national politicians could do more to lead a national debate in what citizens should expect from public services and local politicians could do more to engage citizens in what they should expect locally.

At present, there is a perception that both national and local politicians often criticise public service but rarely help citizens appreciate that spending reductions may lead to reduced levels of service.



Appendix 5: State of local public services (continued)

Talent management is a new public sector priority

People are an organisation's most important asset – whatever the sector. But in local public services, the commitment of its people is vital given the critical importance of many of their roles.

Our interviews found that people issues have begun to preoccupy many public sector chief executives. They told us about difficulties in attracting, recruiting and retaining people for a range of key jobs.

The three most commonly-cited factor influencing retention were stress, weak career progression opportunities, and pay and conditions.

Executives have varied outlooks on technology, estates and ways of working

Many interviewees discussed how working practices in their organisations affect employees. Some said that they were reticent to introduce flexible working patterns, while other recognised they could have a role to play in attracting and retaining talented staff.

Similarly, some chief executives felt they had reduced their organisation's estate as far as they could. Typical activities undertaken include the closure of unviable schools, consolidation of office space and the sale of unused buildings.

Most executives felt that their organisations were making progress on technology but had some way to go before it was exploited to its potential.

Overall, the interviews suggest that the most ambitious local public sector executives are working to make better use of technology, recasting their estates to maximise the potential of fewer physical locations and thinking through how best to empower their staff with remote and mobile working options.

Appendix 6: Briefing on Audit matters

Published for Those Charged With Governance



This document is intended to assist those charged with governance to understand the major aspects of our audit approach, including explaining the key concepts behind the Deloitte Audit methodology including audit objectives and materiality.

Further, it describes the safeguards developed by Deloitte to counter threats to our independence and objectivity.

This document will only be reissued if significant changes to any of those matters highlighted above occur.

We will usually communicate our audit planning information and the findings from the audit separately. Where we issue separate reports these should be read in conjunction with this "Briefing on audit matters".

Approach and scope of the audit

<p>Primary audit objectives</p>	<p>We conduct our audit in accordance with International Standards on Auditing (UK & Ireland) as adopted by the UK Financial Reporting Council ("FRC") and the Code of Audit Practice as established by the Audit Commission. Our statutory audit objectives are:</p> <ul style="list-style-type: none"> • to express an opinion in true and fair view terms to the members on the financial statements; • to express an opinion as to whether the accounts have been properly prepared in accordance with the Code of Practice on Local Authority Accounting; • To express an opinion as to whether the entity has put in place appropriate systems and processes to secure value for money in its use of resources; and • to express an opinion as to whether the Annual Governance Statement, is consistent with the financial statements and our knowledge of the Council.
<p>Other reporting objectives</p>	<p>Our reporting objectives are to:</p> <ul style="list-style-type: none"> • present significant reporting findings to those charged with governance. This will highlight key judgements, important accounting policies and estimates and the application of new reporting requirements, as well as significant control observations; and • provide timely and constructive letters of recommendation to management. This will include key business process improvements and significant controls weaknesses identified during our audit.

Appendix 6: Briefing on Audit matters (continued)

Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

"Materiality" is defined in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements" in the following terms:

"Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful."

We determine materiality based on professional judgment in the context of our knowledge of the audited entity, including consideration of factors such as shareholder expectations, industry developments, financial stability and reporting requirements for the financial statements.

We determine materiality to:

- determine the nature, timing and extent of audit procedures; and
- evaluate the effect of misstatements.

The extent of our procedures is not based on materiality alone but also the quality of systems and controls in preventing material misstatement in the financial statements, and the level at which known and likely misstatements are tolerated by you in the preparation of the financial statements.

Appendix 6: Briefing on Audit matters (continued)

Uncorrected misstatements

In accordance with International Standards on Auditing (UK and Ireland) (“ISAs (UK and Ireland)”) we will communicate to you all uncorrected misstatements (including disclosure deficiencies) identified during our audit, other than those which we believe are clearly trivial.

ISAs (UK and Ireland) do not place numeric limits on the meaning of ‘clearly trivial’. The Audit Engagement Partner, management and those charged with governance will agree an appropriate limit for 'clearly trivial'. In our report we will report all individual identified uncorrected misstatements in excess of this limit and other identified errors in aggregate.

We will consider identified misstatements in qualitative as well as quantitative terms.

Audit methodology

Our audit methodology takes into account the changing requirements of auditing standards and adopts a risk based approach. We utilise technology in an efficient way to provide maximum value to members and create value for management and the Board whilst minimising a “box ticking” approach.

Our audit methodology is designed to give directors and members the confidence that they deserve.

For controls considered to be ‘relevant to the audit’ we evaluate the design of the controls and determine whether they have been implemented (“D & I”). The controls that are determined to be relevant to the audit will include those:

- where we plan to obtain assurance through the testing of operating effectiveness;
- relating to identified risks (including the risk of fraud in revenue recognition, unless rebutted and the risk of management override of controls);
- where we consider we are unable to obtain sufficient audit assurance through substantive procedures alone; and
- to enable us to identify and assess the risks of material misstatement of the financial statements and design and perform further audit procedures

Appendix 6: Briefing on Audit matters (continued)

Other requirements of International Standards on Auditing (UK and Ireland)

ISAs (UK and Ireland) require we communicate the following additional matters:

ISA (UK & Ireland)	Matter
ISQC 1	Quality control for firms that perform audits and review of financial statements, and other assurance and related services engagements
240	The auditor's responsibilities to consider fraud in an audit of financial statements
250	Consideration of laws and regulations in an audit of financial statements
265	Communicating deficiencies in internal control to those charged with governance and management
450	Evaluation of misstatements identified during the audit
505	External confirmations
510	Initial audit engagements – opening balances
550	Related parties
560	Subsequent events
570	Going concern
600	Special considerations – audits of group financial statements (including the work of component auditors)
705	Modifications to the opinion in the independent auditor's report
706	Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report
710	Comparative information – corresponding figures and comparative financial statements
720	Section A: The auditor's responsibilities related to other information in documents containing audited financial statements

Appendix 6: Briefing on Audit matters (continued)

Independence policies and procedures

Important safeguards and procedures have been developed by Deloitte to counter threats or perceived threats to our objectivity, which include the items set out below.

Safeguards and procedures

- Every opinion (not just statutory audit opinions) issued by Deloitte is subject to technical review by a member of our independent Professional Standards Review unit.
- Where appropriate, review and challenge takes place of key decisions by the Second Partner and by the Independent Review Partner, which goes beyond ISAs (UK and Ireland), and ensures the objectivity of our judgement is maintained.
- We report annually to those charged with governance our assessment of objectivity and independence. This report includes a summary of non-audit services provided together with fees receivable.
- There is formal consideration and review of the appropriateness of continuing the audit engagement before accepting reappointment.
- Periodic rotation takes place of the audit engagement partner, the independent review partner and key partners involved in the audit in accordance with our policies and professional and regulatory requirements.
- In accordance with the Ethical Standards issued by the Auditing Practices Board (“APB”), there is an assessment of the level of threat to objectivity and potential safeguards to combat these threats prior to acceptance of any non-audit engagement. This would include particular focus on threats arising from self-interest, self-review, management, advocacy, over-familiarity and intimidation.

In the UK, statutory oversight and regulation of auditors is carried out by the FRC. The Firm’s policies and procedures are subject to external monitoring by both the Audit Quality Review Team (AQRT, formerly known as the Audit Inspection Unit), which is part of the FRC’s Conduct Division, and the ICAEW’s Quality Assurance Department (QAD). The AQRT is charged with monitoring the quality of audits of economically significant entities and the QAD with monitoring statutory compliance of audits for all other entities. Both report to the ICAEW’s Audit Registration Committee.

Appendix 6: Briefing on Audit matters (continued)

Independence policies

Our detailed ethical policies' standards and independence policies are issued to all partners and employees who are required to confirm their compliance annually. We are also required to comply with the policies of other relevant professional and regulatory bodies.

Amongst other things, these policies:

- state that no Deloitte partner (or any closely-related person) is allowed to hold a financial interest in any of our UK audited entities;
- require that professional staff may not work on assignments if they (or any closely-related person) have a financial interest in the audited entity or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the audited entity;
- state that no person in a position to influence the conduct and outcome of the audit (or any closely related persons) should enter into business relationships with UK audited entities or their affiliates;
- prohibit any professional employee from obtaining gifts from audited entities unless the value is clearly insignificant; and
- provide safeguards against potential conflicts of interest.

Remuneration and evaluation policies

Partners are evaluated on roles and responsibilities they take within the firm including their technical ability and their ability to manage risk.

APB Ethical Standards

The APB issued five ethical standards for auditors that apply a 'threats' and 'safeguards' approach.

The five standards cover:

- maintaining integrity, objectivity and independence;
- financial, business, employment and personal relationships between auditors and their audited entities;
- long association of audit partners and other audit team members with audit engagements;
- audit fees, remuneration and evaluation of the audit team, litigation between auditors and their audited entities, and gifts and hospitality received from audited entities; and
- non-audit services provided to audited entities.

Our policies and procedures comply with these standards.



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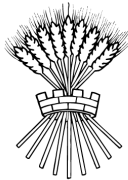
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REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	23 APRIL 2015
REPORT OF THE:	FINANCE MANAGER (s151) PETER JOHNSON
TITLE OF REPORT:	INTERNAL AUDIT PLAN 2015/16
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 The purpose of this report is to present to Members the Internal Audit Plan for 2015/16.

2.0 RECOMMENDATION

- 2.1 It is recommended that the Internal Audit Plan 2015/16 be approved.

3.0 REASON FOR RECOMMENDATION

- 3.1 The Overview and Scrutiny Committee has responsibility for overseeing the work of internal audit, and agreeing the plan of work to be undertaken on its behalf by the Council's Internal Auditors in line with good practice as set out in the Public Sector Internal Audit Standards.

4.0 REPORT DETAILS

- 4.1 The work of internal audit is governed by the Public Sector Internal Audit Standards. In accordance with those standards and the Council's Audit Charter, internal audit is required to prepare an audit plan on at least an annual basis. This report includes the Internal Audit plan for 2015/16.
- 4.2 The internal audit plan has been prepared on the basis of a risk assessment. This is intended to ensure limited audit resources are prioritised towards those systems which are considered to be the most risky and/or which contribute the most to the achievement of the District Council's priorities and objectives.
- 4.3 The content of the audit plan has been subject to consultation with senior officers and is submitted for formal approval by the Committee who monitor progress against the plan. Changes to the plan are agreed through the Council's client management arrangements and are notified to the Committee.

4.4 The plan is based on a total commitment of 225 days for 2014/15.

5.0 IMPLICATIONS

5.1 The following implications have been identified:

- a) Financial
None
- b) Legal
None
- c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)
None

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Finance Manager (s151)

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Background Papers:

Public Sector Internal Audit Standards
CIPFA Local Government Application Note (for the United Kingdom Public Sector Internal Audit Standards)

Appendices: Internal Audit Plan 2015/16

RYEDALE
DISTRICT
COUNCIL



Ryedale District Council

Internal Audit Plan 2015/16

Audit Manager:

Stuart Cutts

Head of Internal Audit:

Max Thomas

Circulation List:

Members of the Overview and Scrutiny Committee
Chief Executive
Finance Manager (s151)

Date: April 2015


Assurance Services for
the Public Sector

Introduction

- 1 This document sets out the planned 2015/16 programme of work for internal audit, provided by Veritau for Ryedale District Council.
- 2 The work of internal audit is governed by the Public Sector Internal Audit Standards. In accordance with those standards and the Council's Audit Charter, internal audit is required to prepare an audit plan on at least an annual basis.
- 3 The Head of Internal Audit is required to produce an annual internal audit opinion to the Council based on an objective assessment of the effectiveness of the framework of Risk Management, Governance and Internal control. Our planned audit work includes coverage of all three areas to develop a wider understanding of the assurance framework of the Council and provide a fully informed body of work to provide that opinion.
- 4 The internal audit plan has been prepared on the basis of a risk assessment. This is intended to ensure limited audit resources are prioritised towards those systems which are considered to be the most risky and/or which contribute the most to the achievement of the District Council's priorities and objectives. The content of the internal audit plan has been subject to consultation with directors and other senior officers.
- 5 The internal audit plan is submitted for formal approval by the Overview and Scrutiny Committee who are also responsible for monitoring progress against the plan. Changes to the plan will be agreed with senior officers and will be notified to the committee. Proposed work is also discussed with the Council's external auditors to ensure there is no duplication of effort. We will provide regular updates on the scope and findings of our work to the Overview and Scrutiny Committee throughout 2015/16.
- 6 The plan is based on a total number of 225 days for 2015/16 which is the same as in 2014/15.

2015/16 Audit Plan

- 7 The plan has been structured into the following sections:
 - **Strategic Risks**; this work involves reviewing areas highlighted as specific risks in the risk register.
 - **Financial Systems**; to provide assurance on the key areas of financial risk. This work will help provide assurance that the internal controls on these key systems for the Council are working effectively and the risks of loss are minimised. The work will also support the work of the external auditors.
 - **Regularity Audits**; to provide assurance on those areas identified through Veritau's risk based assessment. This work will cover areas of

the governance frameworks which the Council rely on to provide assurance key areas of the business are operating effectively.

- **Technical/Projects;** to provide assurance on those areas of a technical nature and where work on an ongoing basis on specific projects is required. These areas are key to the Council as the risks involved could detrimentally effect the delivery of services.
- **Client support, Advice and Follow up;** This is work that supports the Council in its functions and provides assurance on ad-hoc matters and the adoption of findings we have reported in previous years.

8 Details of the 2015/16 plan are set out in **Appendix A**

Strategic Risk Register

Risk No	Risk	Audit	Scope	Days
08	Failure to produce effective, comprehensive and tested plans for Emergency Planning and Business Continuity.	Business Continuity	To ensure compliance with the Civil Contingencies Act 2004 and the need for established business continuity and disaster recovery procedures.	10
		Disaster Recovery	We will review the ICT disaster recovery arrangements.	5
13	Failure to ensure the Council has proper procedures and policies for the prevention and detection of fraud	Fraud and Corruption	We will review the Councils arrangements for Fraud and Corruption against recently issued CIPFA best practice and assess the extent to which arrangements deliver the necessary objectives and outcomes.	15
14	The Council recognises the importance of data quality.	Performance Management Arrangements and Data Quality	A review of the Council's performance management framework along with the systems for capturing key performance data.	15

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Financial Systems Audits

Audit	Scope	Days
Housing Benefits	To review the key risks/controls involved in awarding and paying benefits including the Council Tax Support Scheme.	15
Payroll	A review of the key risks/ controls of the payroll system.	15
Council Tax/NNDR	A review of the key risks/controls for the setting and collection of local tax including performance management arrangements.	10
Sundry Debtors	A review focusing on the effectiveness of the systems of debt recovery.	8
Creditors	To review the key risks/controls surrounding the payment of Creditors invoices.	8
General Ledger	A review of the key controls of the General Ledger, including bank reconciliations, journals and control accounts.	7
Budgetary Management	A review of the Council's budgetary monitoring procedures which are to be revised in 2015/16.	7

Regularity Audits

Audit	Scope	Days
Risk Management	A review of the effectiveness of the Risk Management arrangements to highlight and robustly manage the key strategic risks of the Council.	10
Contract Management	A review of the Councils corporate contract management arrangements. We will also provide support, guidance and challenge to contract management arrangements of the recently procured Leisure Services contract.	15
Human Resources	To ensure that the key controls the Council has put in place to manage key risks relating to Human Resources are effective.	10
		35

Technical/Project Audits

Audit	Scope	Days
Projects	To provide support, guidance and challenge to new and ongoing developments as identified by officers throughout the year.	20
Server Rooms Security	To review the management procedures and controls on the Server Rooms that ensure interruptions to services are minimised and unauthorised access to sensitive information and loss or disclosure of data are prevented.	5
Data Protection and Security	To undertake a small number of unannounced visits to establish the extent to which the Council's expectations of data security of sensitive information, including the clear desk policy are being followed.	5
Payment Card Industry Data Security Standard (PCI DSS)	To further review and support the arrangements the Council has in place to comply with the requirements of PCI DSS.	5
		35

Client Support, Advice and Follow up

Area	Days
Committee Preparation and Attendance	12
External Audit Liaison	2
Miscellaneous Advice and support	8
Corporate Issues (including audit planning and client liaison)	10
Follow up of previous years findings	8
	40

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