



Ryedale District Council

REPORT TO: Policy & Resources Committee

DATE: 2 August 2007

REPORTING OFFICER: Audit Manager,
North Yorkshire Audit Partnership
James Ingham CPFA

SUBJECT: Internal Audit; Audit Partnership Agreement

WARDS AFFECTED: all

1.0 PURPOSE OF REPORT

The purpose of the report is to set out a proposal for the provision of Internal Audit at Ryedale DC from 1st January 2008.

2.0 RECOMMENDATIONS

- a. It is recommended that the Council enter a new Partnership Agreement on revised terms, detailed in Section 7, which will run from 1st January 2008 to 31st March 2012, and
- b. Agree to the inclusion of Hambleton DC as a Partner Council.

3.0 REASONS SUPPORTING DECISION

4.0 BACKGROUND

- 4.1. All councils must have arrangements for the provision of Internal Audit. This is enshrined in the Accounts & Audit regulations.
- 4.2. Ryedale, Scarborough and Selby Councils joined together in an innovative partnership arrangement for the effective provision of Internal Audit by creating the North Yorkshire Audit Partnership. The Partnership was formed as a 'joint committee' under the provisions of the 1972 local Government Act.

5.0 INTRODUCTION

- 5.1. The Partnership Agreement was signed by all the partners and the current agreement started from 1st February 1999 and runs to 31st December 2007.
- 5.2. The agreement requires review and re-affirmation for the forthcoming period.
- 5.3. During the period of the agreement there have been significant changes in the expectations of, and demands on, Internal Audit. Being in the Partnership has enabled the service at Ryedale DC to be at the forefront of these changes.

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- 5.4. The changes include the introduction of Audit Committees, whose functions at Ryedale are encompassed in the Overview & Scrutiny Committee. The external audit regime has changed dramatically, with the introduction of Comprehensive Performance Assessment, with associated Key Lines of Enquiry, and Use of Resources assessments. All of these have required contribution from Internal Audit.
- 5.5. The introduction of the Statement of Internal Control (SIC), which will become the Annual Governance Statement in 2007/08 required Internal Audit to exercise a co-ordinating role to prepare and present the SIC.
- 5.6. Finally, Internal Audit has taken a key role in introducing and developing Risk Management in the Council.
- 5.7. The Partnership's legal basis, a joint committee under the 1972 Local Government Act has required that the Partnership operates separate financial arrangements, including preparing it's own accounts, SIC, and external audit. It is governed by the joint committee (the Partnership Management Board) and each Partner Council has two member representatives on the board, who are the principal finance member, and the principal audit member for each council. At the end of the 2006/07 financial year there was £30,000 in general reserves.

6.0 POLICY CONTEXT

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

7.0 REPORT

Benefits

- 7.1 Being part of the audit partnership has given access for Ryedale DC to a wider range of skills, and access to specialisms, particularly ICT audit.
- 7.2 The cost savings have not been significant, primarily being the shared Audit Manager, however the existence of a larger group with relatively stable staffing structure has given greater resilience for the council in it's internal audit function. Without the Partnership it is likely that the function would have been provided by a single auditor with limited, if any resilience available.
- 7.3 Being part of the Partnership has also demonstrated a strong commitment to partnership working, which is becoming an element in the CPA assessment.
- 7.4 Finally it has improved performance, and consistency of service delivery.

Proposals

- 7.5 It is proposed that the new Partnership Agreement will run from 1st January 2008 to 31st March 2012. This is a period of 4 years 3 months, which will align the term to the fiscal year end.
- 7.6 The present governance arrangements are that each council has equal representation on the Partnership Management Board. There are no changes proposed.

- 7.7 The present agreement provides for any surpluses or deficits to be shared equally by the Partner Councils. The Partnership Board have proposed that the new agreement should allow for any annual surplus or deficit at each fiscal year end to be apportioned according to the relevant fee income chargeable by the Partnership to each partner.
- 7.8 Hambleton DC has indicated that they would wish to join the Partnership with effect from 1st January and be part of the new Partnership Agreement. Extensive discussions have taken place between senior officers and the S151 officers of the four councils. In principle there is no reason why they should not be included. The impact on the present partners and the present charging rate would not be significant, as Hambleton have a full complement of staff at the present time. Therefore there are no significant cost savings to be made, and indeed, Hambleton may face a modest cost increase, which they have accepted as part of their inclusion.
- 7.9 The introduction of Hambleton DC into the Partnership will increase the total number of audit days provided at plan level from 1,400 to 1,840 (assuming the provision at Hambleton remains at current levels). The table shows the impact on the share of surpluses that the changes proposed for the new sharing arrangements and the entry of Hambleton would have.

	Audit Days (current)	% share of any surpluses	Audit Days new agreement	% share of any surpluses (excl Hambleton)	% share of any surpluses (incl Hambleton)
Ryedale	265	33.3%	265	18.9%	14.4%
Scarborough	685	33.3%	685	48.9%	37.2%
Selby	450	33.3%	450	32.2%	24.5%
Hambleton	nil		440	N/A	23.9%
	<u>1,400</u>		<u>1,840</u>		

- 7.10 The inclusion of Hambleton DC in the Partnership and the transfer of their staff to the Partnership brings with it the need for the present staffing structure to be reviewed. This will take account of the differing needs and requirements of each council's S151 officer (the principal officer for internal audit), and the wide geographical location of the different councils, to ensure that the service continues to be provided to the standard expected and required. The structure will be presented to and agreed by the partnership board, which has the delegated responsibility for the structure and terms and conditions of the staff of the partnership.

8.0 FINANCIAL IMPLICATIONS

- 8.1. There are only very limited financial implications to the proposal.
- 8.2. The existing budget for Internal Audit and any additional work in respect of Risk Management, and Special Investigations will cover the costs of the projected service.

9.0 RISK ASSESSMENT

Information,

none

Strategic,

That the Council must have a system of Internal Audit.

Operational,

That systems will not be audited by Internal Audit and their reports and agreed recommendations will not be reviewed by the Overview & Scrutiny Committee.

People,

none

Reputation,

That the council does not take seriously the provision of internal audit.

Regulatory

The Council must have a system of Internal Audit.

Financial.

none

10.0 CONCLUSION

- 10.1. The Audit Partnership has been a success, nationally recognised, and regularly used as a model for other councils. It has delivered improved internal audit services at a stable cost.
- 10.2. The partnership agreement should be extended, taking account of the proposed changes outlined above. These changes will not have a deleterious effect upon the service provided to Ryedale DC.
- 10.3. The addition of Hambleton DC into the partnership is a benefit, and there are no significant drawbacks, financial or otherwise.

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