



NORTH YORKSHIRE AUDIT PARTNERSHIP

Wednesday 29 June 2011 at 12.00 pm

Offices of the North Yorkshire Building Control - Easingwold

Agenda

- 1 **Apologies for absence**
- 2 **Minutes of the meeting held on the 12 January 2011** (Pages 1 - 4)
- 3 **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.
- 4 **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.
- 5 **Financial Results 2010/11** (Pages 5 - 10)
- 6 **Annual Return 2010/11** (Pages 11 - 14)
- 7 **Risk Register** (Pages 15 - 24)
- 8 **Report from the Head of the Partnership** (Pages 25 - 30)
- 9 **Any other business that the Chairman decides is urgent.**

10 **Dates for the Next Meetings**

North Yorkshire Audit Partnership

Held at Ryedale House, Malton
on Wednesday 12 January 2011

Present

Councillors Alderson, Chatt, Rigby, Mrs Shields and Wainwright

In Attendance

Paul Cresswell, James Ingham, Mandy Burchell, David Simpson and Nicki Lishman

Minutes

12 Apologies for absence

Apologies for absence were received from Nick Edwards and Councillors Jordan, Kirk and Miss Kenyon.

13 Minutes of the meeting held on 25 June 2010

The minutes of the meeting of the North Yorkshire Audit Partnership held on 25 June 2010 were presented.

Resolved

That the minutes of the meeting of the North Yorkshire Audit Partnership held on 25 June 2010 be approved and signed by the Chairman as a correct record subject to an amendment to minute 10 (Any other business that the Chairman decides is urgent) to read;

“That for the remainder of the Partnership Agreement, by informal consensual agreement, the number of voting representatives on the Board for each authority be reduced from two to one, with substitutes allowed.”

14 Urgent Business

There were no items of urgent business.

15 Budget 2011/12

The Head of Partnership presented a detailed report to members (previously circulated) on the budget for the Partnership for 2011/2012.

The Audit Manager's proposal was that the daily rate for 2011/2012 remained at £235. There was no national pay award for April 2011, and the Partnership would absorb the anticipated increase in the employers' superannuation contribution rate of 1.00% and other changes in the individual budget lines.

The resulting daily charge out rate of £235.00 represented a change of only 2.6% over 5 years (2010/2011; & 2009/10 £235.00; 2008/09 £225.00; 2007/08 £229.00). The budget was attached at Appendix A of the report.

The budget was based on the revised structure and membership of the Partnership. Any further changes to the staffing structure of the Partnership, or grading subsequent to formal job evaluation, would, almost certainly, lead to a reappraisal of the budget for the year 2011/2012.

The majority (around 90%) of costs are payroll costs over which there was only a limited amount of control and the proposed rate for the year reflected economies of scale in the Partnership management structure. An expected increase in employers pension contribution, mandated by the NYCC Pension Fund was provided for.

The number of audit days for each Partner was reduced to deliver savings, and were in the process of agreement.

It was outlined that the days outlined in the report for the councils, and the additional days, may change in the light of changing demand and also changing resource availability. The resource/demand equation throughout the year would be monitored to ensure that resources were 'fully utilised'.

Members were advised that should Partners choose different pension arrangements than expected, changes may be required to the planned budget, which would be reported at a future meeting of the Partnership if required.

Resolved

That the budget proposals and a daily rate for 2011/2012 of £235.00 were approved.

16 **Service Delivery (Business) Plan**

The Head of Partnership presented a report (previously circulated) detailing the Partnership Business Plan for 2011/2012.

Members were requested to note the changes to the structure and were advised that there was still the capacity to include other North Yorkshire authorities not yet in the Partnership.

Resolved

That the report be noted.

17 **NYAP - Post 1 April 2012**

The Head of Partnership submitted a report (previously circulated) to set out a synopsis of the proposal for the future of Internal Audit provision at partner Councils and of the North Yorkshire Audit Partnership itself. The report was

presented by the Corporate Director (s151) as the Head of Partnership withdrew from the meeting during discussion of this item.

The report presented a way forward following the end of the existing partnership agreement on 31 March 2012. Discussions had been held with Veritau Limited, which was formed by North Yorkshire County Council and City of York Council to provide internal audit, counter fraud and information governance. Veritau provided these services to the two Councils together with a number of other public sector bodies.

NYAP Directors had approached Veritau to discuss potential options for future collaboration. The report went on outline the key points of any transfer of the existing services provided by NYAP to Veritau including the benefits, legal implications, governance and service contract arrangements and service provision.

Resolved

That the proposal to merge with Veritau is supported in principle, including staffing arrangements as discussed in the meeting.

18 Partnership Risk Register

The Head of Partnership presented a report in connection with the arrangements for risk management within the Partnership.

The report set out the risk management framework and the risk register, a copy of which was appended to the report, which identified the principal risks and any steps being taken to manage those risks.

Resolved

That the risk management framework and risk register be approved.

19 Head of Partnership Report

The Head of Partnership presented a report which set out the activities and performance of the Audit Partnership in 2010/2011.

The report included information on staffing, operational issues, partnership issues, risk management, audit planning and external work.

Resolved

That the report be received.

20 Any other business that the Chairman decides is urgent.

There were no items of urgent business.

The meeting closed at 3.00 p.m.



Partnership Management Board
29th June 2011

Financial results 2010/11; report of
the Head of Partnership

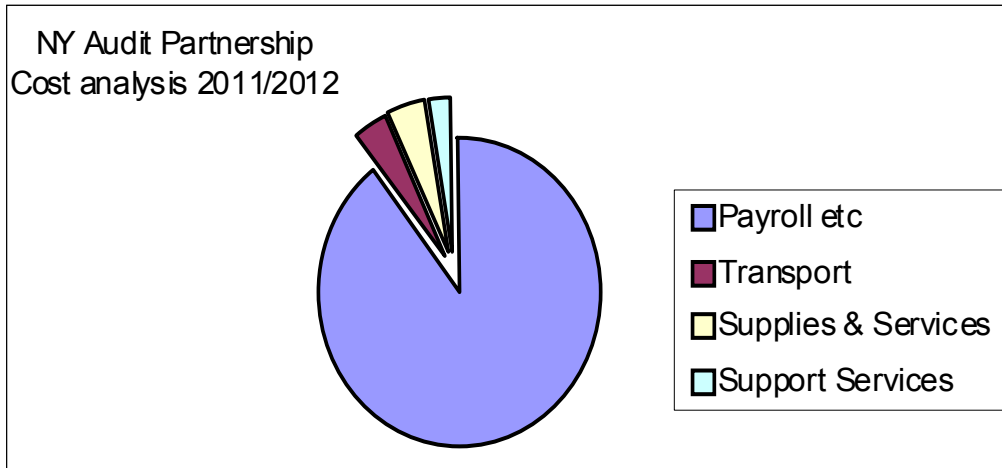
Purpose of the report:

This report is to advise members of the financial results for the year 2010/2011.

- 1) The Partnership was formed under the provisions of the 1972 Local Government Act, and is a joint committee delivering internal audit services to the Partner Councils. Therefore as a 'specified body' it has a duty to prepare accounts separate to the Partner Councils.
- 2) Members will be aware, therefore, that the Partnership produces an independent set of accounts to comply with the requirements of the Act.
- 3) The accounts have to be approved by the Partnership Management Board and in accordance with the Accounts & Audit Regulations. These specify, inter alia, that the accounts must be approved by 30th June annually.
- 4) There is a requirement in the Accounts & Audit Regulations requiring that 'specified bodies' conduct, annually, a review of their Internal Control Systems and prepare an Annual Governance Statement (AGS) which is to be signed by the 'most senior member' and 'most senior officer' of the body. An AGS has been drafted and after taking advice from the Partnership's external auditors it is proposed that this should be approved by the Board and then signed by the Chairman of the Board, the Chief Financial Officer of the host council (the s.151 officer), and the Head of the Partnership. The AGS is incorporated in the Accounts.
- 5) There is also further requirement from the Audit Commission, as we are classed as a 'smaller body'. We have to complete an Annual Return, which, in effect replaces the external audit that was previously undertaken by the local Audit Commission staff. This return has to be discussed by the Board and the governance component signed off by the Board. As stated above the Partnership has prepared a separate AGS which is a formal document extending the governance component of the Annual Return.
- 6) In the Annual Return there is an Internal Audit component, which will be completed by our internal auditors (Veritau) once they have completed their work.
- 7) The Accounts and Audit regulations also stipulate that a body must undertake a review of the effectiveness of its internal audit and that the results are reviewed by the body. This is incorporated into the Annual Return. Given our small size, and that our internal audit places a significant amount of reliance that the Partnership's main financial systems are those of the host, consequently their work is reduced. It is proposed that the fact that the internal auditors are Veritau internal audit staff, are professionally qualified, and are subject to triennial review by the Audit Commission, that this is sufficient review to allow members of the Board to approve that element of the Annual Return.

- 8) The Partnership requires some reserves, as the Partnership stands financially independent of the Partner Councils. Therefore any unforeseen financial demands fall to the Partnership itself, rather than as with a standard internal IA service, to its parent council. So, for example, if the partnership had a member of staff with a long-term illness, the costs of engaging agency staff could be met.
- 9) This is important as the partnership's income is predicated on delivering the agreed audit plan. The loss of staff time would therefore reduce output; hence income and so could lead the partnership into a deficit. (For comparison, with a standard IA service, those additional costs would be met by the council, or the audit plan would be reduced.)
- 10) Current agency rates are around £30+ per hour for experienced staff, which equates to around £1,250 per week. Reserves of £50,000 would therefore cover up to 40 weeks (c.10% of overall IA plans) before being exhausted.
- 11) It has been accepted and agreed, that there should be a limit on the amount of reserves that the Partnership holds, and a level of approximately 10% of turnover with a ceiling of £50,000 was approved. Any reserves held above the agreed level at the year-end, could be distributed back to the partner councils in a manner to be determined by the Board.
- 12) The accounts attached as Appendix 1 show that at the end of the year we have a surplus on the years trading of £36,400, which is around 7.5% of turnover. This surplus will be added to the reserves of the partnership, which will now be in the order of £69,500 plus £7,000 in IT reserves.
- 13) These reserves 'owned' by the 5 Partner Councils represent around 14.3% of the 2010/11 fee income. The table in Appendix 2 shows the amount of the reserve attributable to each Partner.
- 14) As there are now 'additional' reserves of around £19,400 the Board must determine how these are to be disbursed.
- 15) There are three principal options; -
 - a) Reimburse Partner Councils the additional reserves, in proportion to the reserves each holds at 31/3/2011.
 - i) The issue here is that this would leave the Partnership with exactly the maximum reserves allowed, and if a surplus of only £100 were to be made in 2011/12 that would necessitate a further determination to be made over the distribution of that £100.
 - b) Reduce the surplus by an agreed sum, and reimburse Partner Councils their share of that sum in proportion to the reserves each holds at 31/3/2011.
 - i) This would resolve the dilemma outlined above.
 - c) Retain the additional reserves through to March 2012, the end of the current Partnership Agreement, as it is anticipated that there may well be additional costs arising in 2011/12 and possibly 2012/13 as the Partnership goes forward. If at that point there continues to be additional reserves these could be reimbursed as described in b) above taking account of the financial position at 31/3/2012.

- 16) At the December Partnership Board meeting the members decided that the daily rate for 2011/12 would be maintained at £235. This recognises that the national pay award for 2011/12 will be 0%. It recognises that cost savings must continue to be made, and pushes the efficiency envelope for the Partnership staff a little further.



- 17) We, in addition, have to continually bear in mind the mix of expenditure, and the Partnership's mix is such that, practically 90% of the expenditure is payroll and employee costs, so any variations to non payroll costs have a significantly lesser impact on the final expenditure for the Partnership.
- 18) Furthermore, we have traditionally planned for 100% recovery of time so our daily rate is set at cost recovery level with only a minimal %age incorporated for the unforeseen, or reserve accumulation. We have always set our budget on this recovery rate of 100%, which therefore assumes that all audits will be completed and so our income is optimised. This, with hindsight, was probably optimistic, carrying over from the in-house provision concept where there was no tangible (financial) link between performance and income.

Recommendation

It is recommended that the Financial Report for the year 2010/2011 be received, and: -

- 1) The additional reserves above the approved level are retained to meet anticipated additional costs in 2011/12 and potentially 2012/13.
- 2) The Statement of Accounts are approved, and
- 3) The Annual Return and Annual Governance Statement are approved, and formally signed.

NORTH YORKSHIRE AUDIT PARTNERSHIP BUDGET ESTIMATE 2010/2011

EXPENDITURE & INCOME

2010/11		2010/11	2011/12	
Estimate £		Actuals £	Estimate £	£
	Employees			
352,524	Payroll	333,215	325,528	
101,487	Superannuation and NI	75,942	96,236	
454,011	<u>Payroll costs</u>	409,157		421,764
	Supplies & Services			
1,500	Training – Professional	546	1,500	
1,250	Professional subscription	820	1,250	
1,500	Equipment	525	1,500	
1,000	Miscellaneous	858	500	
0	Printing	0	0	
1,000	Stationery	1,088	1,000	
250	Photocopying	111	250	
750	Books and Publications	210	750	
4,500	Conference & Seminar Fees	5,058	4,500	
75	Postage & Franking	0	100	
1,000	Software Licences	1,085	1,000	
	Consultants (Dunn & Bradstreet)	961	0	
15,000	Car Allowance	19,268	17,500	
27,825		30,530	29,850	
1,500	Recruitment & advertising	1,623	1,500	
2,400	Audit Fee	3,350	2,400	
3,500	Professional Indemnity Insurance	3,096	3,500	
1,250	Contribution to IT reserve fund	0	1,000	
10,500	Support Services	9,677	12,000	
19,150		17,746	20,400	
46,975	<u>Support Services</u>	48,276	50,250	50,250
500,986		457,433		472,014
	Income;			
	Daily rate: - £235			
	2011/12; 2010/11; 2009/10;			
	2008/09 ~ £225.00 (2007/08 ~ £229.00)			
451,814	Recharge to Partners (planned audit)	465,838		426,525
49,289	Additional Contract & Partner Income	28,014		50,525
501,103		493,852		477,050
217	Surplus (Deficit)	36,419		5,036
		(7.37%)		(1.05%)

NORTH YORKSHIRE AUDIT PARTNERSHIP RESERVES 2010/2011

	Hambleton £	Richmondshire £	Ryedale £	Scarborough £	Selby £	NYAP total £
Brought Fwd 2010/11	4,395	2,838	6,229	11,437	8,130	33,029
	6,486	4,363	4,946	13,093	7,531	36,419
C/Fwd	10,881	7,201	11,175	24,530	15,661	69,448
'Share' of the additional reserves.	3,047	2,017	3,129	6,869	4,386	19,448

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Partnership Management Board
29th June 2011

Annual Return 2010/11
Report of the Head of Partnership

Introduction

- 1). The North Yorkshire Audit Partnership was created and took effect from 1st Feb 1999. It is a partnership of the councils, Ryedale, Scarborough, Selby, Hambleton, and Richmondshire. It was created using powers in the 1972 Local Government Act. Specifically, it is a Joint Committee arrangement (the Partnership Management Board is the Joint Committee) whereby one council becomes the host council (Ryedale DC), providing the essential infrastructure. The partnership provides the designated services, in this case Internal Audit to the partner councils.
- 2). All councils are required by the Accounts & Audit Regulations 2011 to have a system of internal control and Internal Audit. The form is not specified. This requirement also extends to all specified 'bodies', which includes the Audit Partnership as a Joint Committee.
- 3). In respect of the requirement to have a system of internal control and internal audit, the system of internal control is largely covered by the very fact that all our systems are council systems, predominantly those of Ryedale DC. Anything beyond those systems, e.g. any specific systems were covered by either the annual 'external audit review' or the tri-ennial review of internal audit by the Audit Commission.
- 4). On that basis the requirements of the Accounts & Audit Regulations were met.
- 5). The Partnership is also subject to External Audit.
- 6). The Regulations have been revised and introduced a definition of 'smaller relevant body' being one whose gross income or expenditure is less than £1m. The Audit Partnership is therefore now classified as a smaller relevant body.
- 7). The firm Mazars have now been appointed by the Audit Commission as the appointed auditors to the Partnership and we now have the standard Annual Return for such smaller bodies to the Partnership for completion, and return to Mazars Ltd. of Southampton. This firm are, in fact, the appointed external auditors for a large number of Parish and Town Councils.
- 8). The deadline date for the return is 30th June, and to fit with the timetable for our Partnership Board meetings this Annual Return must be approved and signed at this June meeting.

- 9). The effect of the changes in the Regulations and the requirements of the Annual Return are threefold.
- 10). Firstly the accountancy requirements are reduced so that only an Income and Expenditure account is required. As the Partnership's accounts are produced integrally with the accounts of the host council, and routines have been well established this is no real gain. Therefore it is proposed that the existing accounting arrangements will continue.
- 11). Section 1 of the return, the Statement of Accounts, will still have to be completed which will be done by the accountancy support provided by the host council. It has also to be approved and signed by the Responsible Financial Officer and the Chairman.
- 12). Secondly an Annual Governance Statement (AGS) (section 2 of the return) must be completed and signed off. This form requires yes/no answers to be made to specific questions and then signed by the Chairman, and Clerk. This requirement of clerk is because the form has been designed with local councils in mind, rather than bodies such as the Partnership.
- 13). Therefore it is proposed that this will be completed, and signed together with the AGS by the Chairman, the Responsible Financial Officer (the Ryedale DC Corporate Director (s151)), and the Head of the Partnership as the most senior officer of the Partnership (using the AGS requirements as a guide).
- 14). The final change lies in the requirements for Audit of the Partnership. No longer will the Audit Commission locally undertake the internal audit. We are now required to submit a completed Internal Audit return, similar to the ones used for local Councils.
- 15). What we are therefore required to do is secure an internal audit (to replace the work previously done by the Audit Commission locally) and that appointed auditor has to complete section 4 of the return. Once completed the return is despatched to Mazars who should sign off the external auditor certificate (section 3). It is then advertised as before to the electorate affected and this will be done by an advertisement in the Yorkshire Post newspaper.
- 16). The only requirements specified for the appointment is that the internal auditor must be 'independent, and competent'. Again this is guidance taken directly from that given to local councils.
- 17). There is, therefore the risk that, if not careful, the Partnership will find that the reduction in the external audit fee has been outweighed by the combination of the revised (reduced) external audit fee and a new internal audit fee.

- 18). The Partnership manager has commissioned an internal audit through Veritau, the company formed through the merger of the audit services of the City of York and North Yorkshire County Councils. The advantage of using Veritau is simply that, of the expenditure of the Partnership, 90+% is payroll, which is provided through the City of York Council's payroll services, which is subject to annual audit by Veritau. Secondly they are adjacent and understand the requirements of this audit.
- 19). Our professional opinion is that the work required should be able to be completed within 2-3 days, having now 'learnt' our processes. Clearly if in the future the appointment is changed, then there may be some extra time required to acquire the knowledge and understanding of the systems of internal control in place (compliance with ISA315). On that basis it is proposed that a maximum estimate of £1,000 is used.
- 20). The fee that is expected from the Audit Commission is £1,500 (an increase due to the increased turnover of the Partnership), which together with an estimated maximum £1,000 for internal audit is around our budgeted audit fee of £2,500.

Recommendations

It is recommended that: -

- (i) The report be received, noted and the relevant sections of the Annual Return be completed.
- (ii) That the action of the Head of the Partnership to secure appropriate internal audit arrangements be approved.
- (iii) That the Partnership Board formally approves and signs the return.

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Partnership Management Board
29th June 2011

Partnership Risk Management;
report of the Head of Partnership

Purpose of the report:

This report is to advise members of the arrangements for Risk Management within the Partnership.

- 1) The Partnership was formed under the provisions of the 1972 Local Government Act, and is a joint committee delivering internal audit services to the Partner Councils.
- 2) There is a requirement from the Audit Commission, as we are classed as a 'smaller body' to complete an Annual Return, and this return has to be discussed by the Board with the governance component signed off by the Board. That governance component includes an expectation that the Partnership has its own Risk Management process. The Partnership also prepares a separate AGS which is a formal document extending the governance component of the Annual Return.
- 3) In the Annual Return there is also an Internal Audit component, which will be completed by our internal auditors (Veritau). Part of the work done by the internal auditors is to examine the Partnership's risk management arrangements, and therefore we need to maintain some formal mechanism to record and monitor our perceived risks.
- 4) This report sets out the risk management framework, and the risk register (attached as appendix 1), which identifies our principal risks and any steps that are being taken to manage those risks.
- 5) As a framework we have adopted the format that is broadly consistent with the style used for Risk Management across the councils. In essence the process is to identify material risks to the achievement of the partnerships objectives, what the consequences would be if the risk materialises, and what steps, or mitigation, is in place now, and planned to reduce that risk, either the likelihood, or the impact, or both.

- 6) Risk is usually measured on a scale to identify the likelihood of the risk occurring and the impact to the organisation if it does so. The matrix included shows the standard 5 x 5 table, and the associated descriptors.

Impact	5					
	4					
	3					
	2					
	1					
		A	B	C	D	E
	Likelihood					

Likelihood:
 A = Very Low
 B = Not Likely
 C = Likely
 D = Very Likely
 E = Almost Certain

Impact;
 1 = Low
 2 = Minor
 3 = Medium
 4 = Major
 5 = Disaster

- 7) It is difficult to associate values with the impact scale, but given that the total turnover of the Partnership is around £500,000 that gives some reference to the scales.
- 8) The risk register has been drawn up and moderated subsequent to a series of discussions with the Audit Managers to ascertain their view of the risks that have been identified.
- 9) At the end of the register is a copy of the scoring matrix showing where each risk is placed in the table.

Recommendation

It is recommended

- 1) That the Risk Management framework and risk register be approved.

Risk Register: reviewed June 2011

No.	Risk	Consequences	Current Risk Score (Former scores)	Mitigation <i>(Italicised items are actions to undertake.)</i> (✓ means the action has been undertaken)	Target Score/ Action Plan	By whom
1	Failure to recruit and retain appropriate staff. (Not making the best of staff)	<ul style="list-style-type: none"> • Turnover of staff may result in unprofessional service • Low staff morale • Failure to meet obligations or objectives/targets • Partnership (Council) not recognised as a good employer • Qualified and experienced staff do not wish to work for NYAP 	A2 (B3) (C3)	<ul style="list-style-type: none"> • Remuneration package need to be in line with market trends • Flexible HR policies including the promotion of work/life balance • Regular team meetings and systems to inform the staff. • Performance Management used to identify training and development needs to further develop staff. ✓ • Ensure that there is sufficient staff at each level, taking cognisance of the changes arising from the revised structure of the Partnership. ✓ • Prepare for known retirements, and probable departures in 2010/2011; and at the end of the current Partnership Agreement, dependent upon the final decision on the future of NYAP (2012 potential merger with Veritau and other options). ✓ • No further action required at this time. ✓ 	A2	PMB; HoP; Dir
2	Risk of loss of <ul style="list-style-type: none"> • Head of Partnership; • Audit Managers, & • key staff, Either permanently or	<ul style="list-style-type: none"> • Head of Partnership not professionally qualified. (Cipfa CoP) • Loss of key component in service (e.g. ICT Audit, access control at SBC) 	E3 (B2) (B3) (B3)	<ul style="list-style-type: none"> • Training programme for all staff. • Succession planning [HoP will be 60 in June 2011] ~ options now under consideration ✓ • Contingency planning ~ done so far as is required: no longer applicable ✓ • Issue will be resolved, assuming that Councils approve the merger of NYAP into Veritau effective 1/4/2012 immediately following the end 	B2	PMB; Dir; HoP

No.	Risk	Consequences	Current Risk Score (Former scores)	Mitigation <i>(Italicised items are actions to undertake.)</i> (✓ means the action has been undertaken)	Target Score/ Action Plan	By whom
	long term absence. <u>See risk 15 also</u>		(C3)	of the present Partnership Agreement which is 31/3/2012. ✓ <ul style="list-style-type: none"> No further action required at this time, await decision on the future of NYAP and Internal Audit at the Partner Councils. ✓ 		
3	Risk deleted	•		•		
4	Health & Safety legislation and issues associated with diverse sites and staff. Small size may lead to demand for lone working.	<ul style="list-style-type: none"> Injury, vehicle accident or breakdown etc Staff 'stuck' without adequate support. Possible low staff morale Failure to meet statutory obligations. 	B3 (B3) (B3)	<ul style="list-style-type: none"> Take account of staff working arrangements and review & monitor H&S aspects for all sites ✓ Ensure staff are aware of personal responsibility, and have sufficient awareness training. ✓ Ensure staff have access to mobile phones ✓ Minimise travelling where practicable. ~ Difficult with shared service across several councils, action is to minimise unnecessary travel. ✓ <i>Use video conferencing where available and possible. ~ still in its infancy. Need to push on with this option to minimise risk & optimise time.</i> 	A3	HoP AM AM AM
5	Failure to achieve satisfactory completion rates for audit plans.	<ul style="list-style-type: none"> Poor image at partner councils Risk of adverse comment from external auditors to partner councils. 	A1 (B2) (B2)	<ul style="list-style-type: none"> Relevant training is made available to all staff ✓ Briefings for staff on progress against plans ✓ Audit Managers undertake 1-2-1's with staff. ✓ Ensure that requests for supplementary work are taken into audit planning and that the core business is not reduced. Need to monitor and manage the increasing demands from the partner council's external auditors. ✓ ~ established good links with the external auditors. ✓ 	A1	HoP AM

No.	Risk	Consequences	Current Risk Score (Former scores)	Mitigation <i>(Italicised items are actions to undertake.)</i> (✓ means the action has been undertaken)	Target Score/ Action Plan	By whom
6	Risk deleted	•		•		
7	Risk deleted	•		•		
8	Increased joint working by partner councils leads to reduced audit plans. N.B. Changes in policy too, move to Commissioning ethos, which may also lead to reduced audit plans. Change in Government and their cuts to LG spending will also change the demand for IA.	<ul style="list-style-type: none"> • Risk of surplus staff, and so redundancy. • Most able staff may leave. 	B2 (C3) (C3)	<ul style="list-style-type: none"> • Keep staff informed. ✓ • Monitor demand, and ensure natural wastage is used to avoid redundancy. ✓ Workforce planning is intrinsic to the operation, especially with a small team. ✓ • <i>Monitor the national and local situation.</i> • With the reductions in IA service required by Clients, review workforce and re-structure to reflect reduced demand, ✓ • Ensure that IA is active in the Partner Councils debate on changes in service provision and delivery. ✓ • Engage with senior management team(s) to ensure they understand the role that IA can provide in the current economically stringent atmosphere. ✓ • No further action required at this time. ✓ 	B2	Dir; HoP
9	Not maintaining development of risk management may lead to the role being allocated elsewhere.	<ul style="list-style-type: none"> • Reduced demand for IA services • Reduction in staff. 	B2 (C3)	<ul style="list-style-type: none"> • Ensure that Risk Management is seen as a natural aspect of the Partnership's portfolio. ✓ • Take an active role in each council. [Of the Partners, SBC is most likely to move the work elsewhere.] ✓ • Ensure continuing involvement with those councils that are moving to proprietary software. ✓ • It is increasing evident that Risk Management (facilitation) will migrate to the Councils as they 	B2	HoP AM

No.	Risk	Consequences	Current Risk Score (Former scores)	Mitigation <i>(Italicised items are actions to undertake.)</i> (✓ means the action has been undertaken)	Target Score/ Action Plan	By whom
				introduce and embed Performance (& Risk) Management software. IA role will therefore need to change to more conventional auditing of the risk management system and process. We are now incorporating these changes into the Council IA plans ✓ <ul style="list-style-type: none"> No further action required at this time. ✓ 		
10	Confidentiality of work may be compromised by the use of open plan offices	<ul style="list-style-type: none"> Relevant at Ryedale & Richmondshire only Now also at Selby DC from August 2011. Loss of information NYAP reputation as secure confidant may be damaged. 	A2 (A2)	<ul style="list-style-type: none"> Ensure staff are aware of issue and that where necessary, confidential work is undertaken in suitable locations. <i>Discuss with Selby Council client this issue in respect of their forthcoming move into new open plan premise. No fully satisfactory outcome; still being required to work 'open plan' ~ will try to use the external audit office as much as possible.</i> 	A2	HoP AM
11	Loss of ICT systems, and data from USB 'sticks'	<ul style="list-style-type: none"> Loss of information and work leading to audit reports. Exposure of confidential and sensitive information. 	A2 (A2)	<ul style="list-style-type: none"> Systems are all linked into the systems of the 'host' council, so reliance is on their systems for back up and recovery. These are subject to audit by the ICT auditor. Staff need to be aware of risks associated with Data storage media (USB sticks) and vigilant that they are protected. ✓ ~ Encrypted 'sticks' are now available and in use. ✓ Risk from Data Sticks is now minimised. ✓ No further action required at this time. ✓ 	A2	HoP AM Team
12	Risk that the increased size may lead to a bid from the private sector for the	<ul style="list-style-type: none"> Loss of direct control by the Partner Councils, as it will move to a contracting arrangement (& 	A2 (B3) (C4)	<ul style="list-style-type: none"> Consider future possible option of joining with Veritau (the City/County Audit Partnership) [N.B. However this may make an even more attractive package]. ✓ This is now being considered for the Partnership. ✓ 	A1 (A3)	Dir HoP AM

No.	Risk	Consequences	Current Risk Score (Former scores)	Mitigation <i>(Italicised items are actions to undertake.)</i> (✓ means the action has been undertaken)	Target Score/ Action Plan	By whom
	partnership.	therefore subject to EU procurement rules).		<ul style="list-style-type: none"> • Ensure 'decision makers' are kept informed. ✓ • Ensure good quality IA service ✓ • The potential merger with Veritau, if concluded will move this risk into the Veritau risk register. Low risk, given current business strategy and philosophical approach of Veritau. ✓ • The implementation plan envisages a company approach that will allow the District Councils a full voice within the Veritau 'family'. ✓ • Also the Veritau contract term is longer thus reducing the immediate risk, but the expanded IA service of CoYC, NYCC, and 5 DC may attract predatory attention, ultimately. ✓ 		
13	Risk that the Board will not agree a 'proper' charging mechanism and charge out rate.	<ul style="list-style-type: none"> • Impossible to meet so imposed efficiency and performance • Therefore unlikely to meet financial targets. • May adversely affects motivation of Audit Managers, and staff. • Arrangement almost certain to cause a deficit in the accounts, which could lead to inter-partner tension. 	D3 (D4) (D4)	<ul style="list-style-type: none"> • <i>Set a proper and fair rate which will deliver reasonable outcomes, both performance and financial. ~ The argument has not been won.</i> • Directors need to understand and accept (and the PMB approve) that it is not realistically possible to increase productivity and so performance any further. Secondly that as the partnership's cost base is virtually all payroll, any changes in pay have a direct linear relationship to the cost base. This is accepted. ✓ • <i>Good year in 2010/2011, albeit due to unusual circumstances will tend to make winning this argument tricky.</i> 	B2	PMB; Dir HoP
14	Risk that the Partnership will make a significant loss through	<ul style="list-style-type: none"> • Deficit will reduce Partnership reserves • Poor image within the partner Councils 	A1 (B2) (B3)	<ul style="list-style-type: none"> • Ensure reserves are considered when the budget and charge out rate is set. ✓ • Monitor service performance ✓ • Ensure any overruns are either managed or that 	A2	HoP PMB Dir

No.	Risk	Consequences	Current Risk Score (Former scores)	Mitigation (<i>Italicised items are actions to undertake.</i>) (✓ means the action has been undertaken)	Target Score/ Action Plan	By whom
	either an inadequate charge out rate or through poor performance	<ul style="list-style-type: none"> Reduced morale of staff who perceive the partnership as “<i>their</i>” business. 		<ul style="list-style-type: none"> clients agree to additional fees (or other audits deleted). ✓ <i>Good year in 2010/2011, albeit due to unusual circumstances will reduce this risk, as reserves at the maximum allowed.</i> ✓ No further action required at this time. ✓ 		
15	Risk of loss of staff through their external interests and activities.	<ul style="list-style-type: none"> We have staff who are individuals, and have what insurers may consider ‘risky’ activities. E.g. horse-riding; motorcycling; surfing. 	B3 (C3) (C2)	<ul style="list-style-type: none"> Discuss with staff and monitor level of risk ✓ Prepare contingency plans in case of long term ill health (accident) absence, or death. ✓ No further action required at this time. ✓ 	B2 (C2)	HoP Dir.
		<ul style="list-style-type: none"> 		<ul style="list-style-type: none"> 		

Key

PMB	Partnership Management Board
Dir	Directors (s.151 Officers)
HoP	Head of Partnership
AM	Audit Managers
Team	all staff

Current risk scores mapped to scoring matrix

- Impact:
 1 = Low
 2 = Minor
 3 = Medium
 4 = Major
 5 = Disaster

- Likelihood:
 A = Very Low
 B = Not Likely
 C = Likely
 D = Very Likely
 E = Almost Certain

Impact	5					
	4					
	3		4,15		13	2,
	2	1,10, 11,12	8,9			
	1	5,14				
		A	B	C	D	E
Likelihood						

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By virtue of paragraph(s) 1 of Part 1 of Schedule 12A of the Local Government Act 1972.

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