



## **NORTH YORKSHIRE AUDIT PARTNERSHIP**

Wednesday 27 June 2012 at 12.00 pm

Offices of the North Yorkshire Building Control - Easingwold

### **Agenda**

**1 Emergency Evacuation Procedure**

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

**2 Appointment of Chairman**

**3 Apologies for absence**

**4 Minutes of the Meeting Held on 29 June 2011**

(Pages 1 - 4)

**5 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.

**6 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.

**7 Financial Results (& Annual Governance Statement) 2011/12**

(Pages 5 - 28)

- 8 **Annual Return 2011/12** (Pages 29 - 30)
- 9 **Dissolution of the Partnership Management Board** (Pages 31 - 32)
- 10 **Any other business that the Chairman decides is urgent.**

## North Yorkshire Audit Partnership

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Held at Offices of the North Yorkshire Building Control - Easingwold  
on Wednesday 29 June 2011

### Present

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Councillors Mallory, Lunn, Smith, Wainwright and Acomb

### In Attendance

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Paul Cresswell, James Ingham, David Simpson, Mandy Burchell, Karen Iveson, Nick Edwards and Audrey Adnitt

### Minutes

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#### 1 Election of Chairman

##### Resolved

That Councillor Wainwright, Ryedale District Council be elected Chairman of the committee for the ensuring year.

#### 2 Apologies for absence

Apologies for absence were received from Councillors Griffiths, Parsons and Kenyon.

#### 3 Minutes of the meeting held on the 12 January 2011

The minutes of the meeting of the North Yorkshire Audit Partnership held on 12 January 2011 were presented.

##### Resolved

That the minutes of the meeting of the North Yorkshire Audit Partnership held on 12 January 2011 be approved and signed by the Chairman as a correct record.

#### 4 Urgent Business

There were no items of urgent business.

#### 5 Declarations of Interest

No interests were declared.

#### 6 Financial Results 2010/11

The Head of Partnership presented a report which advised Members of the financial results for the year 2010/2011.

The report presented three options for dealing with the additional reserves:

- a) Reimburse Partner Councils the additional reserves, in proportion to the reserves each holds at 31/3/2011;
- 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;
- 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.

**Resolved**

That the Financial Report for the year 2010/2011 be received, and: -

- (i) The additional reserves above the approved level be retained to meet anticipated additional costs in 2011/2 and potentially 2012/13;
- (ii) The Statement of Accounts be approved;
- (iii) The Annual Return and Annual Governance Statement be approved and formally signed.

**7 Annual Return 2010/11**

The Head of Partnership presented a report which outlined the Annual Return to the external auditors for 2010/11 for the Partnership.

**Resolved**

- (i) That 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 return be formally approved and signed by the Partnership Board.

**8 Risk Register**

The Head of Partnership presented a report which advised Members of the arrangements for Risk Management within the Partnership.

**Resolved**

That the Risk Management framework and risk register be approved.

**9 Report from the Head of the Partnership**

The Head of Partnership presented a report on the activities and performance of the Partnership in 2010/11.

The report covered staffing, operational issues, risk management, audit planning and external work.

**Resolved**

That the report be received.

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

There were no items of urgent business.

11 **Dates for the Next Meetings**

The dates for the next meeting would be the 30<sup>th</sup> November 2011 at 2pm at Ryedale House.

**The meeting closed at 12.45pm**

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## Partnership Management Board 27<sup>th</sup> June 2012

### Financial results (& Annual Governance Statement) 2011/12; report of the Head of Partnership

#### Purpose of the report:

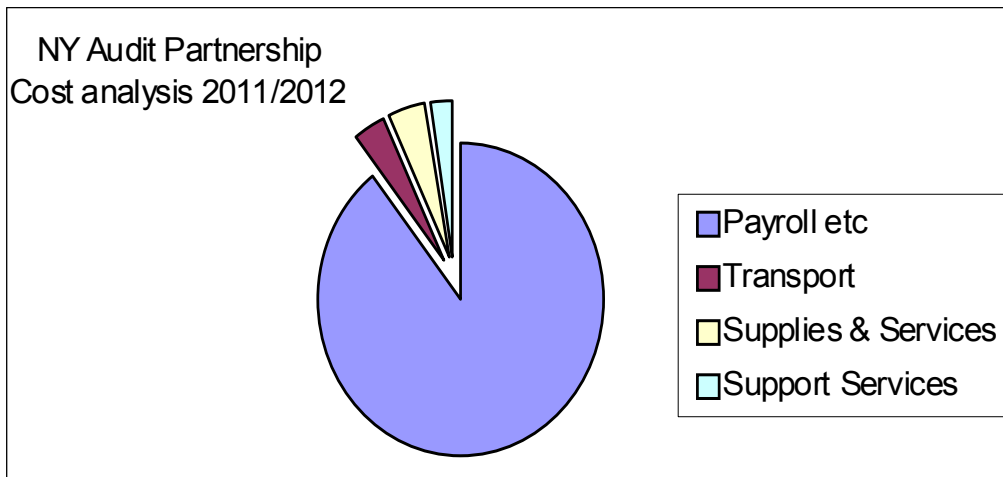
This report is to advise members of the financial results for the year 2011/2012.

- 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 has been completed by our internal auditors (Veritau) upon completion of their work. The Annual Return is the subject of a separate report in this agenda.
- 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 on the knowledge that the Partnership's main financial systems are those of the host, consequently the volumes of 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 their own review process, that this is sufficient review to allow members of the Board to approve that element of the Annual Return.

- 8) The Partnership, as a 'going concern' requires some reserves, as the Partnership stands financially independent of the Partner Councils. Therefore any unforeseen financial demands would 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) 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.
- 11) At the Board meeting in June 2011 the Board agreed that the full amount of reserves (£69,500) would be carried over into 2011/12, rather than being repaid, to provide additional resources to cover the known and anticipated additional costs arising from the transfer from NYAP to VNY (Veritau North Yorkshire)
- 12) The accounts attached as Appendix 1 show that, including the ICT reserves which have been 'drawn down', at the end of the year we have a 'gross' deficit of some £51,240.
- 13) However once the exceptional items (the known and anticipated additional costs arising from the transfer from NYAP to VNY) have been 'added back' the Partnership had a modest 'trading' surplus of £20,029 which is around 4.3% of turnover. This, added to the brought forward surplus of £69,450 gives a total of £89,477.
- 14) This 'trading surplus' has been apportioned between the Partner Councils in the established manner, using 2011/12 IA days performed and invoiced to each as the basis to give an equitable share of the trading reserves. These resultant totals, and the relevant percentages for each have been used as a fair and equitable method to apportion the exceptional items between the Partner Councils. The one anomaly has been the share capital required to form VNY which is a fixed sum of £2,000 for each Council.
- 15) Once these adjustments have been made, the total residual amount of reserves is £18,207.74, and the amount attributable to each Partner Council has been calculated and will be repaid to each. The table in Appendix 2 shows the amount of this final reserve attributable to each Partner.



- 16) At the January 2011 Partnership Board meeting the members decided that the daily rate for 2011/12 would be maintained at £235. That recognised that the national pay award for 2011/12 was 0%, that cost savings must continue to be made, and pushed 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.

#### Recommendation

It is recommended that the Financial Report for the year 2011/2012 be received, and: -

- 1) The treatment of the reserves and the final amounts of the reserves due to each Partner Council are approved,
- 2) The Statement of Accounts are approved, and
- 3) The Annual Governance Statement is approved, and formally signed.

**NORTH YORKSHIRE AUDIT PARTNERSHIP 2011/2012**  
**EXPENDITURE & INCOME**

2011/12		2011/12	
Estimate£		Actuals£	
	<b>Employees</b>		
325,528	Payroll	312,755	
96,236	Superannuation and NI	83,555	
421,764	<u>Total ~ Payroll costs</u>		396,310
	<b>Supplies &amp; Services</b>		
1,500	Training – Professional	4,826	
1,250	Professional subscription	1,263	
1,500	Equipment	196	
500	Miscellaneous	1,175	
1,000	Printing & Stationery	876	
250	Photocopying	89	
750	Books and Publications	270	
4,500	Conference & Seminar Fees	2,375	
100	Telephones, postage & franking	0	
1,000	Software Licences	0	
0	Consultants (Dunn & Bradstreet)	433	
17,500	Car Allowances	23,667	
29,850		35,170	
1,500	Recruitment & advertising	2,476	
2,400	Audit Fee	5,700	
3,500	Professional Indemnity Insurance	5,316	
1,000	Contribution to IT reserve fund	(7,000)	
12,000	Support Services	9,871	
20,400		16,363	
50,250	<u>Total ~ Supplies &amp; Services</u>		51,533
<b>472,014</b>	<u>Total Expenditure</u>		447,843
	<b>Income;</b>		
	<b>Daily rate: - £235 ~ 2011/12; 2010/11; 2009/10;</b>		
	<b>2008/09 ~ £225.00 (2007/08 ~ £229.00)</b>		
426,525	Recharge to Partners (planned audit)	442,459	
50,525	Additional Contract & Partner Income	25,413	
<b>477,050</b>	<u>Total Income</u>		<b>467,872</b>
<b>5,036</b>	Trading Surplus (Deficit)		<b>20,029</b>
<b>(1.05%)</b>			<b>(4.28%)</b>
	<b>Exceptional items</b>		
	Set up costs (50% share)	9,037	
	Redundancy costs	38,351	
	Pension funding	13,887	
	VNY share capital	10,000	
			<b>71,270</b>
	2011/12 Surplus (Deficit)		<b>(51,241)</b>

Appendix 2

**NORTH YORKSHIRE AUDIT PARTNERSHIP RESERVES 2011/2012**

	Hambleton £	Richmondshire £	Ryedale £	Scarborough £	Selby £	NYAP total £
Brought Fwd	10,881	7,201	11,175	24,530	15,661	69,448
2011/12 'trading surplus'	3,505	2,779	2,534	7,009	4,202	20,029
	<b>14,386</b>	<b>9,980</b>	<b>13,709</b>	<b>31,539</b>	<b>19,863</b>	<b>89,477</b>
Less 'exceptional items'	11,851	8,834	11,387	23,596	15,601	71,269
'Share' of the final reserves.	<b>2,535</b>	<b>1,146</b>	<b>2,322</b>	<b>7,943</b>	<b>4,262</b>	<b>18,208</b>

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**ACCOUNTS FOR THE  
PERIOD ENDED  
31 MARCH 2012**

**Please note that the North Yorkshire Audit Partnership's accounts that follow have not yet been officially audited. However, standards by which the information has been prepared and reported have remained identical to those used previously and in accordance with the accounting policies as set out on pages 4 and 5. No problems are expected in the accounts being accepted by the external auditors during the course of their annual review of activities.**

<b>NORTH YORKSHIRE AUDIT PARTNERSHIP</b> <b>EXPLANATORY FOREWORD</b>
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The North Yorkshire Audit Partnership has continued to develop from its inauguration on 1 February 1999 and these accounts are the thirteenth and final full year's results for the Partnership.

The final accounts for the year 2011/12 show that the Partnership has made a deficit of £51,241 and has final reserves available for redistribution of £18,208. However, whilst accurate, this tells only part of the story for the year. In those final accounts are the costs associated with the transfer from the North Yorkshire Audit Partnership (NYAP) to Veritau North Yorkshire (VNY) and consequently include some sums that are not related to the trading activities of the year. Once those are 'added back' to calculate the 'trading' position, the Partnership made a 'trading' surplus of £20,029 which is in line with recent results, representing 4.3% of turnover. This return also takes account of the decision to 'draw down' the IT Fund.

This 'trading' surplus for 2011/12 has been shared in proportion to the amount of planned audit work charged to each partner council and added to their individual reserves. In total, these 'operational' or 'trading' reserves now stand at £89,477 (balance at 1 April 2011 of £69,448 plus 2011/12 'trading' surplus of £20,029).

The Partnership Management Board has approved a level of reserves, which is capped at £50,000, approximately 10% of the turnover of the extended Partnership. This cap was considered at the June 2011 Board meeting and it was agreed that the full reserves at that date of £69,448 would be retained to provide sufficient funds for the known and anticipated costs associated with the transfer of NYAP to VNY.

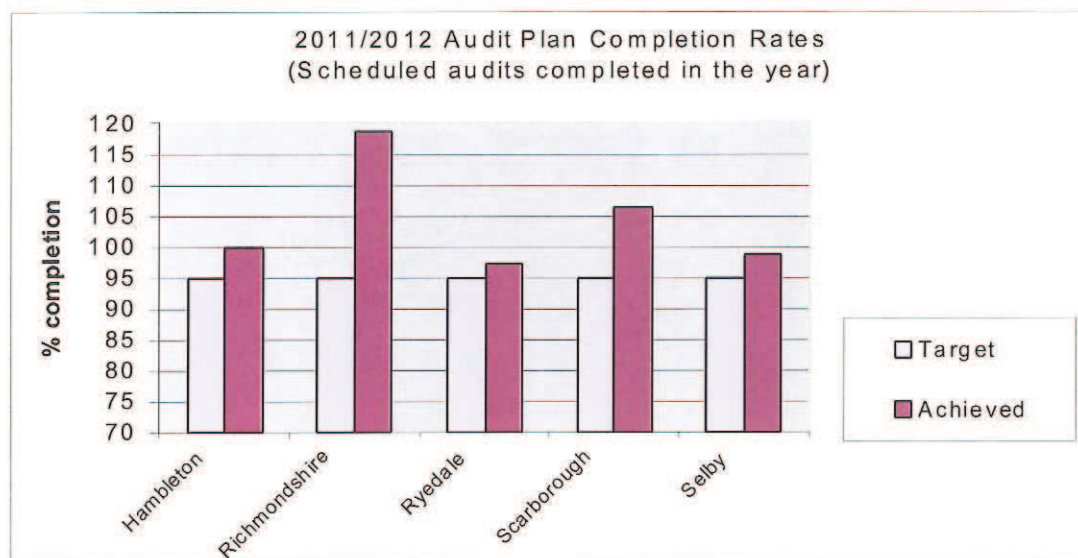
The level of 'trading' reserves, as stated above, now stands at £89,477 and the IT Fund, which had a balance of £7,000, has been drawn down to a nil balance.

The additional costs associated with the transfer of NYAP to VNY have been apportioned to each partner council on the basis of their share of the total final 'trading' reserves. To these has been added the fixed amount of share capital required from each partner council. The combined total of which has been deducted from each partner's share of the gross 'trading' reserves leaving a final residual sum of reserves 'owned' by the partner councils of £18,208. The amounts 'owned' by each partner will be fully reimbursed.

1 April 2011 £	RESERVES	31 March 2012 £
10,881.62	Hambleton	2,535.40
7,201.49	Richmondshire	1,146.27
11,174.75	Ryedale	2,321.66
24,529.21	Scarborough	7,942.50
15,661.36	Selby	4,261.91
69,448.43		18,207.74



Overall, the Partnership has exceeded the standard performance target of 90% for the achievement of planned audit work for the partner councils and has also exceeded the higher target of 95% (based on the revised audit plans) set by the Partnership Management Board for the year. The chart shows the audit completion rate of each partner council based on the revised planned audits in their approved audit plans for 2011/12.



What may seem anomalous; the percentage achievements of Richmondshire and Scarborough are due to the inclusion of approved special investigations at both partner councils. Secondly, as the base number of days at Richmondshire is lower than at Scarborough, there is an enhanced percentage effect in the percentage calculation. Excluding these special investigations, the relevant percentages would be 102.1% and 101.5%.

This year, the Partnership has seen a marked reduction in its role in supporting risk management, as the partner councils continue to embed combined performance management and risk management software, which is 'owned', managed and maintained by managers. The Partnership has worked with the partner councils to embed risk management techniques by helping to facilitate workshops and to develop and manage risk registers.

All the partner councils have audit (and governance) committees and, to support them effectively, it continues to require an increased amount of chargeable time for servicing these committees. There is also an increased expectation of extra work for follow up audits, to verify that agreed recommendations have been implemented.

The Partnership Management Board meets as necessary during the year and continues to be supported by Ryedale District Council in its role as host council.

Turning to the future, the principal issue that Internal Audit, now provided through Veritau North Yorkshire, continues to face is the significant changes to the methods of working in the councils, which is going to push the need for councils to identify and deliver savings especially in 'back office functions'. This initiative will, almost certainly, lead to fundamental changes in methods of service provision, including partnering, commissioning, outsourcing, joint third sector working and service provision through traditional in-house means and so the internal audit work must change to reflect this.



Overall this has been a very satisfactory year in performance terms and the Partnership has managed to achieve a modest 'trading' surplus, albeit with an overall deficit due to additional costs which were required to be brought into account. However, more importantly, in this final year the Partnership has delivered a good quality internal audit service to the partner councils.

J R Ingham CPFA

HEAD OF PARTNERSHIP (NORTH YORKSHIRE AUDIT PARTNERSHIP)

# **NORTH YORKSHIRE AUDIT PARTNERSHIP**

## **STATEMENT OF ACCOUNTING POLICIES**

The Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with guidance notes issued by CIPFA on the application of accounting standards (SSAPs and FRSs).

The accounting policies applied by the North Yorkshire Audit Partnership during the year are as follows:-

### **1. ACCOUNTING CONVENTION**

The accounts have been prepared under the historical cost convention.

### **2. ACCRUALS OF INCOME & EXPENDITURE**

The accounts are maintained on an accruals basis, that is, sums due to or from the North Yorkshire Audit Partnership during the year are included whether or not the cash has actually been received or paid in the year. In particular:

- Fees and charges due from customers are accounted for as income at the date the Partnership provides the relevant services.
- Supplies are recorded as expenditure when they are consumed.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **3. FUNDING**

Contributions receivable by the North Yorkshire Audit Partnership are credited to the financial year to which they relate.

### **4. RESERVES**

Reserves, in the form of accumulated surpluses, are liable to the partners of the North Yorkshire Audit Partnership. The balance of reserves at 31 March 2008 is due to the original three partners on an equal share basis. With effect from 1 April 2008, any reserves are liable to all the partners in the same proportion as the fees for the planned audit work undertaken at each partner council for the relevant year.

### **5. OVERHEADS & SUPPORT SERVICES**

The costs of overheads and support services are charged to the North Yorkshire Audit Partnership in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP). The total absorption costing principle is used, with the full cost of overheads and support services being shared between users in proportion to the benefits received.

## **6. VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it.

## **7. PENSIONS**

Employees of the North Yorkshire Audit Partnership participate in the Local Government Pension Scheme, administered by North Yorkshire County Council. It is not possible to allocate a share of the assets and liabilities of the North Yorkshire Pension Fund to the Partnership, with pensions being accounted for on a defined contribution basis. The amount charged to the Income and Expenditure Account in respect of pension costs and other post retirement benefits is the contribution payable in the year. Any difference between the contribution payable in the year and the contribution actually paid is shown as either a prepayment or an accrual in the Balance Sheet.

**NORTH YORKSHIRE AUDIT PARTNERSHIP**  
**INCOME & EXPENDITURE ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2012**

2010/11			2011/12	
£	£		£	£
<b><u>INCOME</u></b>				
<b>RECHARGE TO PARTNERS</b>				
		Ryedale District Council	55,977.00	
62,064.00		Scarborough Borough Council	154,842.00	
164,336.00		Selby District Council	92,825.00	
94,517.00		Hambleton District Council	77,430.00	
90,141.80		Richmondshire District Council	61,385.00	442,459.00
54,779.00	465,837.80			
	28,014.50	<b>ADDITIONAL CONTRACT INCOME</b>		25,413.00
	<u>493,852.30</u>	<b>TOTAL INCOME</b>		<u>467,872.00</u>
<b><u>EXPENDITURE</u></b>				
<b>EMPLOYEES</b>				
		Payroll	282,681.88	
278,140.55		National Insurance	21,183.41	
20,236.12		Superannuation	62,372.14	
55,705.91		Pension Contributions	13,881.69	
0.00		Redundancy Costs	38,350.89	
27,479.42		Bureau Staff	2,000.00	
0.00		Agency Staff	28,073.75	
27,594.25		Medical Fees	0.00	
20.00		Insurance	5,316.07	
3,096.56		Training	4,826.25	
545.70		Professional Subscriptions	1,262.50	459,948.58
799.00	413,617.51			
	19,268.02	<b>TRANSPORT</b>		
		Car Allowances		23,666.79
		<b>SUPPLIES &amp; SERVICES</b>		
		Equipment	195.89	
515.51		Miscellaneous	1,031.54	
817.72		Protective Clothing	143.80	
9.19		Printing & Stationery	876.21	
1,087.59		Photocopying	88.85	
111.46		Books & Publications	270.00	
210.00		Conference & Seminar Fees	1,189.79	
3,800.00		Travel & Subsistence	1,185.04	
1,257.57		Telephones	0.00	
41.16		Software	0.00	
1,084.80		Advertising	2,475.20	
1,623.48		Audit Fee	5,700.00	
3,350.00		Consultants	432.92	
961.52		Hired Services	9,037.08	22,626.32
0.00	14,870.00			
	9,677.48	<b>SUPPORT SERVICES</b>		9,871.00
	<u>457,433.01</u>	<b>TOTAL EXPENDITURE</b>		<u>516,112.69</u>
	<u>36,419.29</u>	<b>OPERATING SURPLUS/(DEFICIT)</b>		<u>(48,240.69)</u>
	0.00	<b>CONTRIBUTION TO/(FROM) IT FUND</b>		(7,000.00)
	0.00	<b>CONTRIBUTION TO/(FROM) VERITAU NORTH YORKSHIRE</b>		10,000.00
	<u>36,419.29</u>	<b>SURPLUS/(DEFICIT) FOR YEAR</b>		<u>(51,240.69)</u>




**NORTH YORKSHIRE AUDIT PARTNERSHIP**  
BALANCE SHEET AS AT 31 MARCH 2012

2010/11			2011/12		NOTES
£	£		£	£	
		<b>ASSETS</b>			
103,418.50		Debtors	106,687.96		1
0.00	103,418.50	Cash in Hand	0.00	106,687.96	
		<b>Less CURRENT LIABILITIES</b>			
0.00		Creditors	37,225.74		2
26,970.07	26,970.07	Cash Overdrawn	51,254.48	88,480.22	
				<u>18,207.74</u>	
		<b>REPRESENTED BY</b>			
	69,448.43	Reserves		18,207.74	3
	7,000.00	IT Fund		0.00	4
	<u>76,448.43</u>			<u>18,207.74</u>	

**RESPONSIBLE FINANCIAL OFFICER'S CERTIFICATE**

I certify that the above Balance Sheet fairly states the financial position of the North Yorkshire Audit Partnership as at 31 March 2012.

Signed  P D Cresswell CPFA 19 June 2012  
CORPORATE DIRECTOR (S151) (RYEDALE DISTRICT COUNCIL)

**CERTIFICATE OF PARTNERSHIP MANAGEMENT BOARD APPROVAL**

I confirm that the North Yorkshire Audit Partnership's accounts were approved by the Partnership Management Board at the meeting held on Wednesday 27 June 2012.

Signed .....Councillor C R Wainwright 27 June 2012  
CHAIRMAN OF PARTNERSHIP MANAGEMENT BOARD

NOTES		£	£
<b>1</b>	<b>DEBTORS</b>		
		2011/12	2010/11
	Scarborough Borough Council	41,380.72	44,420.91
	Selby District Council	25,160.00	21,267.80
	Hambleton District Council	16,900.24	17,451.29
	Richmondshire District Council	23,247.00	16,380.00
	Richmond Town Council	0.00	750.00
	Essex Audit Group	0.00	250.00
	Worcestershire Shared Audit Svcs Partnership	0.00	523.50
	Hull City Council	0.00	1,875.00
	North Yorkshire Procurement Partnership	0.00	500.00
		<u>106,687.96</u>	<u>103,418.50</u>
<b>2</b>	<b>CREDITORS</b>		
		2011/12	2010/11
	NYAP Employees	10,219.37	0.00
	Ryedale District Council	13,881.69	0.00
	Johnson Publishing (Yorkshire Post)	1,237.60	0.00
	Mazars	1,450.00	0.00
	Veritau	10,437.08	0.00
		<u>37,225.74</u>	<u>0.00</u>
<b>3</b>	<b>RESERVES</b>		
		Surplus b/f	(Deficit) for year
		Surplus c/f	
	Ryedale District Council	11,174.75	(8,853.09)
	Scarborough Borough Council	24,529.21	(16,586.71)
	Selby District Council	15,661.36	(11,399.45)
	Hambleton District Council	10,881.62	(8,346.22)
	Richmondshire District Council	7,201.49	(6,055.22)
		<u>69,448.43</u>	<u>(51,240.69)</u>
<b>4</b>	<b>IT FUND</b>		
	Balance b/f		7,000.00
	Contribution for year		(7,000.00)
	Balance c/f		<u>0.00</u>
<b>5</b>	<b>STATUS OF THE NORTH YORKSHIRE AUDIT PARTNERSHIP</b>		
	<p>With effect from 1 January 2008, Ryedale, Scarborough and Selby district councils agreed a continuation of the North Yorkshire Audit Partnership until 31 March 2012. On 1 April 2008, Hambleton and Richmondshire district councils formally joined the Partnership as full partners, retaining the fundamental principles of the Partnership Agreement.</p>		
	<p>The North Yorkshire Audit Partnership ceased to exist on 31 March 2012 and, with effect from 1 April 2012, Veritau North Yorkshire Ltd was formed to provide internal audit services to Ryedale, Scarborough, Selby, Hambleton and Richmondshire district councils.</p>		

## NORTH YORKSHIRE AUDIT PARTNERSHIP

CASH FLOW STATEMENT AS AT 31 MARCH 2012

2010/11			2011/12	
£	£		£	£
36,419.29		<b>Surplus/(Deficit)</b>	(51,240.69)	
0.00	36,419.29	Add <b>Contribution to/(from) IT Fund</b>	(7,000.00)	(58,240.69)
		<b>Variations:-</b>		
37,366.22		Decrease/(Increase) in Debtors	(3,269.46)	
(845.60)	36,520.62	Increase/(Decrease) in Creditors	37,225.74	33,956.28
		<b>Net Increase/(Decrease) in Cash</b>		
<u>72,939.91</u>			<u>(24,284.41)</u>	

MOVEMENT IN CASH	As at 31.3.12 £	As at 31.3.11 £	Movement £
Cash in Hand/(Overdrawn)	(51,254.48)	(26,970.07)	(24,284.41)
<b>Net Increase/(Decrease) in Cash</b>	<u>(51,254.48)</u>	<u>(26,970.07)</u>	<u>(24,284.41)</u>



# NORTH YORKSHIRE AUDIT PARTNERSHIP

## STATEMENT OF RESPONSIBILITIES

### THE NORTH YORKSHIRE AUDIT PARTNERSHIP'S RESPONSIBILITIES

The North Yorkshire Audit Partnership is required:-

- ◆ to make arrangements for the proper administration of its financial affairs and to secure that an officer has the responsibility for the administration of those affairs. For the North Yorkshire Audit Partnership, that officer is the Responsible Financial Officer.
- ◆ to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ◆ to approve the accounts.

### THE RESPONSIBLE FINANCIAL OFFICER'S RESPONSIBILITIES

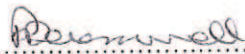
The Responsible Financial Officer is responsible for the preparation of the North Yorkshire Audit Partnership's accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'), is required to present fairly the financial position of the North Yorkshire Audit Partnership at the accounting date and its income and expenditure for the period (ended 31 March 2012).

In preparing these accounts, the Responsible Financial Officer has:-

- ◆ selected suitable accounting policies and then applied them consistently.
- ◆ made judgements and estimates that were reasonable and prudent.
- ◆ complied with the Code of Practice.

The Responsible Financial Officer has also:-

- ◆ kept proper accounting records which were up to date.
- ◆ taken reasonable steps for the prevention and detection of fraud and other irregularities.

Signed  ..... P D Cresswell CPFA  
CORPORATE DIRECTOR (S151) (RYEDALE DISTRICT COUNCIL)

19 June 2012



# NORTH YORKSHIRE AUDIT PARTNERSHIP

## ANNUAL GOVERNANCE STATEMENT

### 1. Scope of Responsibility

The North Yorkshire Audit Partnership (NYAP) was formed through the provisions of the Local Government Act 1972. It has a separate Partnership Management Board and, as a joint committee, a duty to prepare separate financial accounts, which are subject to audit. Ryedale District Council acts as the host council providing financial services, and the Partnership operates to Ryedale District Council's Constitution. However, certain decisions are reserved to the Partnership Management Board, specifically approving the budget and accounts, and staff terms and conditions.

The Partnership, though small, is a 'relevant body' and as such is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Partnership also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Partnership is also responsible for ensuring that there is a proper governance framework, incorporating a sound system of internal control, which facilitates the effective exercise of the Partnership's functions and which includes arrangements for the management of risk.

As the Partnership Agreement concluded on 31 March 2012, this Annual Governance Statement (AGS) covers the final period of the Partnership, and is valid for the period to 31 March 2012, and has certain aspects relevant for the 'winding up' period which concludes on 30 June 2012. Therefore the following statement describes the framework applicable for the year to 31 March 2012.

### 2. The Purpose of the Annual Governance Statement

The purpose of the Annual Governance Statement is to describe the Partnership's governance and internal control framework, the process for evaluating business risk and the procedures applied to manage those risks.

The governance and internal control framework is based on a continuous risk management process designed to:

- ◆ Identify the principle risks to the achievement of the Partnership's objectives
- ◆ Evaluate the nature and extent of these risks
- ◆ Manage the risks efficiently, effectively and economically

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuous process designed to identify and prioritise the risks to the achievement of the Partnership's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

Staff associated with the Partnership should report any problems immediately and management should act on the findings to correct areas of weakness.



The governance framework and associated system of internal control have been in place at the Partnership for the year ended 31 March 2012.

### **3. The Governance Framework (and System of Internal Control)**

The key elements of the framework are described below.

#### ***The Partnership Management Board properly represents all the partner councils***

The Partnership has a formal agreement, which incorporates clauses in respect of the Board, its composition, and rules on quoracy. The Board meets appropriately to comply with the statutory requirements of setting budgets, receiving interim financial statements and approving the final accounts.

#### ***The Partnership publishes its objectives in an annual business plan***

The main component is the budget for the year, which is closely linked to planned audit work for each of the partner councils, and any external clients. This is used to determine the level of fees for the subsequent year.

Detailed audit plans are agreed with each of the partner councils.

#### ***The Partnership operates through the host council's Constitution, including the Standing Orders, however other policies and decisions are made through the Partnership Management Board***

The prime objectives are to operate effectively, efficiently, transparently and accountably and within the law.

The Constitution, and Standing Orders are supplemented by:

- ◆ Scheme of delegation
- ◆ Policies and procedures of the host council
- ◆ Codes of conduct for Members and officers
- ◆ Specific issues as approved by the Board

#### ***Financial management includes forward planning of expenditure and resources, budget consultation, budget setting and monitoring and the production of the statutory accounts***

These are expected to be accurate, include information relevant to the client and the Partnership and are completed within agreed timescales.

The Chief Financial Officer of the Partnership is also the Corporate Director (s151) at the host council; Ryedale District Council. In that role the Chief Financial Officer is directly responsible to the Chief Executive and so this arrangement meets the criteria set out for the role of the Chief Financial Officer in Local Government and thereby meets the requirement in respect of the Partnership.

#### ***A range of internal controls exist to support the Partnership***

The aim is to ensure compliance with policies, procedures and statutory requirements:

- ◆ Ensure the economical, effective and efficient use of resources
- ◆ Provide an effective performance management and reporting process

These internal controls are set out below together with a review of their effectiveness.

#### 4. Review of Effectiveness

The Partnership has a duty and responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review takes cognisance of the work of the internal auditors and the managers within the Partnership, who have responsibility for the development and maintenance of the internal control environment. It also acts upon comments made by the external auditors.

CONTROL	REVIEW OF EFFECTIVENESS	ACTION REQUIRED	STATUS
Key plans and strategies are in place.	<p>The annual business plan is reviewed by the Board.</p> <p>The Partnership needs to produce a strategic plan relevant to the extended Partnership for approval by the Board at the budget meeting.</p> <p>There are now further proposals being considered for the future of the Partnership. These are the subject of discussions by the 'directors' and staff of the Partnership and the preparation of development papers.</p>	<p>Report to Board on strategic plan for the extended Partnership (Dec 2010).</p> <p>The future options are being considered and an outline business case for each option is being developed.</p> <p>No further action required. The Partnership Board must approve the final accounts and final disbursement of any residual reserves.</p>	<p>Completed.</p> <p><i>June 2012 – All the partner councils have agreed to form, with Veritau, a regulated company Veritau North Yorkshire (VNY) to deliver internal audit services to the former NYAP partner councils.</i></p>
Statutory roles of the Partnership's s151 Officer and the Monitoring Officer to ensure internal control procedures are efficient and effective and are being complied with on a routine basis to ensure legality and sound financial standing.	<p>The Partnership Board and Chief Officers of the partner councils have a full range of professional officer advice to enable them to carry out these functions effectively and in compliance with statutory requirements.</p> <p>The Partnership has appointed its own Internal Auditor who fulfils that statutory requirement and completes the Annual Return similarly required. They have not raised any matters of principle in their report to the Board or their certification for External Audit.</p>	None.	<p>Completed.</p> <p><i>June 2012 – The Partnership's Internal Auditor has signed off the 2011/12 Annual Return, so concluding their work.</i></p>



CONTROL	REVIEW OF EFFECTIVENESS	ACTION REQUIRED	STATUS
Internal Audit (of the Partnership) provides independent and objective assurances across the whole range of the Partnership's activities.	Being an Internal Audit Partnership, and recognising its small size, it does not have a specific continuous internal audit.  This situation has been agreed by the Board and the s151 Officers of the partner councils.	None as an Internal Auditor has been appointed to validate the accounts and to provide proper certification for External Audit.	Completed.  <i>June 2012 – The Partnership's Internal Auditor has signed off the 2011/12 Annual Return, so concluding their work.</i>
Risk management policies and procedures are in development with the objective of ensuring that the risks facing the Partnership in achieving its objectives are evaluated, regularly reviewed and mitigation strategies developed.	The risk management policy and the corporate risk register (an identification of the most significant risks) have been approved by the Board.  Considerable training of staff has been undertaken, largely as part of the Partnership's provision of risk management services to the partner councils. The spin off is that risk management and awareness are embedded in the Partnership's practices and procedures.	Risk management policy, and register to be reviewed and approved by the Board at each of its meetings.	Completed.  <i>June 2012 – No longer relevant as VNY will have assumed responsibility from 1 April 2012.</i>
Compliance with key codes of practice.	The Partnership complies with the CIPFA Code of Practice for Internal Audit in Local Government and works to relevant professional standards.	Ascertain relevant requirements and ensure any necessary compliance with the Data Protection Act and Freedom of Information Act.	<i>June 2012 – No longer relevant as VNY will have assumed responsibility from 1 April 2012.</i>
The scrutiny function is carried out by the Partnership Management Board.	The Partnership Management Board exercises the scrutiny function as part of its role for the partner councils.	The s151 Officers of the partner councils meet regularly with the Head of the Partnership to monitor progress and activities. Any significant issues are raised with the Board.	Continuous.  <i>June 2012 – The Partnership Board will approve the final accounts, and formally dissolve the Partnership Board.</i>

We have been advised on the implications of the results of the review of the effectiveness of the system of internal control.

**5. Significant Internal Control Issues**

With the conclusion of the Partnership Agreement, and the formal winding up of the North Yorkshire Audit Partnership, there are no internal control issues to be considered.

Signed ..... Councillor C R Wainwright 27 June 2012  
CHAIRMAN OF PARTNERSHIP MANAGEMENT BOARD

Signed ..... P D Cresswell CPFA 27 June 2012  
CORPORATE DIRECTOR (S151) (RYEDALE DISTRICT COUNCIL)

Signed ..... J R Ingham CPFA 27 June 2012  
HEAD OF PARTNERSHIP (NORTH YORKSHIRE AUDIT PARTNERSHIP)

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Partnership Management Board  
27<sup>th</sup> June 2012

Annual Return 2011/12  
Report of the Head of Partnership

## Introduction

- 1). The North Yorkshire Audit Partnership was created and took effect from 1<sup>st</sup> 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 are met.
- 5). The Partnership is also subject to External Audit.
- 6). The Regulations were 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 30<sup>th</sup> 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 Regulations and the requirements of the Annual Return are threefold.
- 10). Firstly the accountancy requirements have been 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 the existing accounting arrangements have continued.
- 11). Section 1 of the return, the Statement of Accounts, has been completed by the accountancy support provided by the host council. It has 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 this will be completed, and signed together with the AGS included in the financial accounts 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). There are requirements for the Internal Audit of the Partnership. We are now required to submit a completed Internal Audit return, similar to the ones used for local Councils.
- 15). We have appointed Veritau Ltd as the Partnership's internal auditors and those appointed internal auditors have completed section 4 of the return. Once completed the Annual 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 Partnership Agreement terminated on 31<sup>st</sup> March 2012, and therefore this Annual Return for 2011/12 is the final return for the Audit Partnership.

### Recommendations

It is recommended that: -

- (i) The report be received, noted and the relevant sections of the Annual Return be completed.
- (ii) That the Partnership Board formally approves and signs the return.





Partnership Management Board  
27<sup>th</sup> June 2012

Dissolution of the Partnership  
Management Board  
Report of the Head of Partnership

## Introduction

- 1). The North Yorkshire Audit Partnership was created and took effect from 1<sup>st</sup> Feb 1999. It was a partnership of the councils, Ryedale, Scarborough, Selby, Hambleton, and Richmondshire to provide Internal Audit services.
- 2). It was created using powers in the 1972 Local Government Act.
- 3). 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.
- 4). The Partnership operated through a series of Partnership Agreements. The final Partnership Agreement ran from 1<sup>st</sup> April 2008 to 31<sup>st</sup> March 2012. There is no further Partnership Agreement to run from 1<sup>st</sup> April 2012.
- 5). Internal Audit at the Partner Councils from 1<sup>st</sup> April 2012 is being provided by Veritau North Yorkshire. This is a regulated company and each Council has a share in the company. Therefore the principle of shared Internal Audit services has been retained, but is now delivered through another method.
- 6). Consequently there is no longer a need for a joint committee, the Partnership Management Board, for the Audit Partnership.
- 7). The one remaining matter is for the Partnership Board to formally note the dissolution of the Partnership Management Board (the Joint Committee) by reason that the extant Audit Partnership Councils have entered into the regulated company Veritau North Yorkshire for the future provision of their Internal Audit services.

## Recommendations

It is recommended that: -

- (i) That the Partnership Board formally notes the dissolution of the Partnership Management Board (the Joint Committee) with effect from 30<sup>th</sup> June 2012.

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