



Partnership Management Board
27th June 2012

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

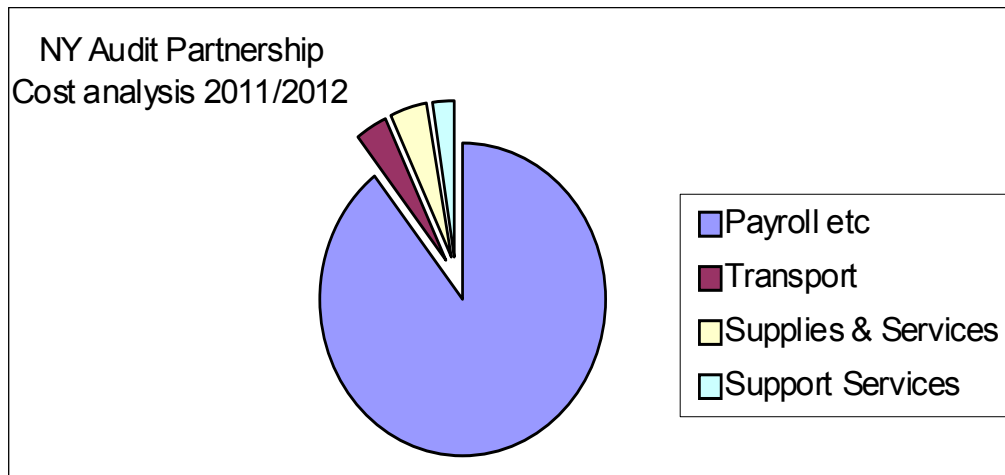
Purpose of the report:

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£	
	Employees		
325,528	Payroll	312,755	
96,236	Superannuation and NI	83,555	
421,764	<u>Total ~ Payroll costs</u>		396,310
	Supplies & Services		
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 & Services</u>		51,533
472,014	<u>Total Expenditure</u>		447,843
	Income;		
	Daily rate: - £235 ~ 2011/12; 2010/11; 2009/10;		
	2008/09 ~ £225.00 (2007/08 ~ £229.00)		
426,525	Recharge to Partners (planned audit)	442,459	
50,525	Additional Contract & Partner Income	25,413	
477,050	<u>Total Income</u>		467,872
5,036	Trading Surplus (Deficit)		20,029
(1.05%)			(4.28%)
	Exceptional items		
	Set up costs (50% share)	9,037	
	Redundancy costs	38,351	
	Pension funding	13,887	
	VNY share capital	10,000	
			71,270
	2011/12 Surplus (Deficit)		(51,241)

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
	14,386	9,980	13,709	31,539	19,863	89,477
Less 'exceptional items'	11,851	8,834	11,387	23,596	15,601	71,269
'Share' of the final reserves.	2,535	1,146	2,322	7,943	4,262	18,208