



Partnership Management Board
25th June 2010

Report of the Head of Partnership

The purpose of this report is to report on the activities and performance of the Audit Partnership in 2009/10.

Introduction

This report covers the year 2009/10. The Management Board meeting in March 2010 received a report on activities for the majority of 2009/10. Consequently in certain sections of the report there is not much to report.

Staffing

Paul Jenkinson, who was our auditor in Richmondshire, has now retired after 40+ years in Local Government. At the moment we are using our freelance auditor to cover the site pending filling the post, which will then be an auditor who will cover both Hambleton & Richmondshire Councils.

We continue to encourage attendance at seminars etc to ensure staff are as up to date with current issues, and modern audit practice as possible.

To this end we continue to support staff and their attendance on seminars and weekend schools including: -

- *CIPFA Seminars*
- *IIA Seminars*
- *Data management*
- *BGF/FAN best practice workshops*
- *ICT and Chief Auditor groups*

Attendance levels have fallen to 95.6%, as sickness levels continue to be above average at 4.4% overall. This includes data for one individual, who has had some 69 days absence in 2009/10. If that one is excluded then the rate rises to 99.0% which is an extremely good level, regretfully still above the comparable figure for 2008/09 of 99.7%.

Most absences are less than or equal to 3 days, except for the one member of staff who has had 69 days absence the majority of which was medically certified. This issue has now been resolved as the individual applied for, has been offered, and has accepted voluntary redundancy.

Operational

This year we have been reasonably on target in the achievement of the planned audits. Across the five councils the average percentage completion of the audit plan days is 95%

Planned Audit: time taken for completed scheduled audits (Cyclical Audits) compared to planned time

- Measure of the time spent compared to the time planned for the audit, a measure of the time provision and audit assignment time management. The target must be to complete the audit in the time planned or less, i.e. at, or less than 100%.

	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05
Hambleton	90%	94%	N/A			
Richmondshire	97%	110%	N/A			
Ryedale	115%	108%	95%	96%	114%	102%
Scarborough	90%	94%	106%	86%	92%	91%
Selby	95%	114%	106%	103%	119%	92%
Average	98%	104%	102%	95%	108%	95%

- Target 2009/2010 less than or equal to 100%
- The target percentage has not just been achieved in this year to date.
- The rate are varied for a variety of reasons, however, the poorest site is Ryedale, and this is primarily due to: - difficulties with accessing staff for a couple of audits, which has led to the jobs overrunning, and we also have extended one piece to reflect its complexity, and will be asking the client if they are willing to meet some, if not all of the additional cost. One piece of work took longer than anticipated.
- However, the commitment of the team continues, and their work and that of the interim agency staff used during the year continues to provide good audit reports.

During the year we have undertaken a higher than usual number of special investigations, and have been able to capitalise on the 'investment' of training one of the Audit Managers to CCIP (Cipfa Certificate in Investigative Practice) standard, as our professionalism has drawn praise from client managers and HR professionals alike. Investigations have included: -

- A member standards complaint.
- Investigations into budget overspending.
- Ghost employees.
- Leakage of confidential information.
- Senior and middle staff abuse of position.
- Planning issues.
- Abuse of the procurement process and misappropriation of income.

We have been involved in the preparation and delivery of FAT (Fraud Awareness Training) sessions to staff in Selby, and are rolling this out to staff at the other Partner Councils. This is linked to the UoR assessments and expectations from the Audit Commission in their Annual Return required from Councils on their Counter Fraud activities.

Annual reports have been prepared for all the Partner Councils Audit Committees, and this year we have included a specific section titled ~ Where did Internal Audit “add value” in 2009/10? I considered that this is something that we, as auditors, tend to either not think about, or take for granted as being implicit in what we do. However, there have been a couple of occasions when I am asked “where you add value?” so I thought that it would be useful to include the section. It has made us think about what we do and to instil the concept and the challenge into the team, asking themselves that very question about all our work. What was interesting was that when drafting the section in the annual reports that a significant, practically all of our work does ‘add value’, the trick is to see and articulate how, when much is intangible.

Partnership issues

The principal issue at the moment is the consideration and evaluation of the potential merger of NYAP with Veritau. This recognises the opportunity for merging the two partnerships to deliver improved audit services to all the councils involved, some very preliminary discussions are taking place to explore the potential for such a merger. The benefits would lie in reduced costs arising from sharing overheads over a larger base, access to a computerised audit management system, streamlined structures, reduced down time in travelling and associated costs, plus improved career prospects, particularly for the NYAP staff through being part of a larger group.

It has been discussed extensively with staff, and whilst, initially, there were some concerns the changing wider economic climate, the recognition that sharing ‘back office services’ will become the norm, rather than the exception has shifted perceptions and generally staff have few qualms now about the merger.

Risk Management (RMgt)

This continues to be significant and forms an important part of our work. The audit industry certainly sees the future of audit planning being closely linked to the risk management process. However I consider that we cannot overlook the need for basic assurance audit and the need for specific fraud detection and investigation audits from time to time.

At Hambleton, Richmondshire, and Selby, the procurement of proprietary Performance Management software has been approved which will; almost certainly, include Risk management as a module. We are looking to be involved as risk professional in the implementation of the systems at these councils.

Hambleton has an established risk management process, which we have streamlined in co-operation with their ICT team. With their close links to Richmondshire we will be adapting this to service Richmondshire pending the implementation of proprietary software. This work is essential to mitigate the current arrangements which require improvement to reach the standard now expected at all councils.

Currently at all councils, we play an active role in their Risk Management processes.

Audit Planning

Audit plans for 2010/11 have been approved by the audit committee for each council. We know that changes in operating arrangements, and the increased expectation of continuing financial savings, will lead to reductions in the number of audit days provided in future years in the individual audit plans. At the moment two of the Partners have required cuts of around 5% but I consider that with the increasing pressure on councils to cut costs and seek alternative working methodologies that this may be the tip of the iceberg. This will be particularly important as our Partner Councils embrace Commissioning as a philosophy, and work ever more closely together in joint service provision.

External Work

It is impossible to see where else we can make significant progress in securing additional partners, as the remaining North Yorkshire district councils show no real interest in becoming a part of the Partnership. Indeed they have now starting to work closely together in a number of areas, in a similar fashion to Hambleton and Richmondshire. The areas of joint working include internal audit.

We are looking at providing some resource to our colleagues in Hull City Council to manage a special investigation for them, at a fee, as they have some problems with the specific case over potential conflicts of interest and counter claims, and our presence would give much needed independence and fresh critical thought.

The outlook

In general, I am satisfied with the progress of the Partnership, though the year has certainly presented its fair share of problems. However, I believe that we have had a successful year in 2009/2010, and look forward to repeating this in 2010/2011.

Recommendation

That

- a) The report is received.