



ACCOUNTS FOR THE  
PERIOD ENDED  
31 MARCH 2010

**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 page 4. No problems are expected in the accounts being accepted by the external auditors during the course of their annual review of activities.**

# NORTH YORKSHIRE AUDIT PARTNERSHIP

## EXPLANATORY FOREWORD

The North Yorkshire Audit Partnership has continued to develop from its inauguration on 1 February 1999 and these accounts are the eleventh full year's results for the Partnership.

The Partnership has made a surplus of £23,494 on the year's trading. This surplus representing 4.5% of the turnover will be added, proportionately, to each partner's share of the main reserve.

The surplus for 2009/10 has been shared in proportion to the amount of planned audit work charged to each partner council and added to their reserves. In total, the reserves now stands at £33,029.

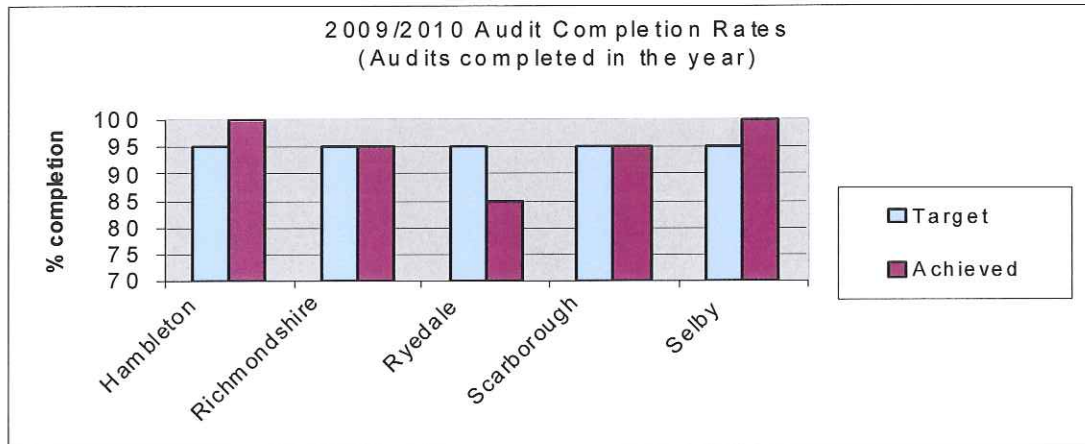
The Partnership Management Board previously agreed that the level of reserves should be capped at £35,000, which is 6.7% of the turnover of the extended Partnership. This was set before the Partnership expanded to encompass the five partner councils and, at the time, represented around 10% of the Partnership's turnover. It may be, with the increase in the size of the Partnership, that this figure may need to be reviewed.

For 2009/10, no additional contribution has been made to the IT Fund. The level of reserves now stands at £33,029, with a balance of £7,000 in the IT Fund. The main reserve represents 6.3% of the turnover and must therefore be considered to be some way from approaching the level of 10% that was considered to be sufficient to provide for the unforeseen. These reserves are 'owned' by the partner councils.

The Partnership needs to be mindful of the charging policy that it has adopted and has been endorsed by the Partnership Management Board, namely that the daily charge out rate is set based on recovering all costs over the planned audits, with only a minimal provision for unforeseen circumstances. This policy demands that the Partnership manages its principal resource, auditor time, effectively to avoid a deficit occurring. Therefore any planned audits missed lead to a clear risk of a deficit, which will be shared between all partners. The dilemma therefore is that the reserves are likely to remain at their present, and possibly inadequate, level.

The Partnership is pleased to report that overall the level of short-term absence continues to be extremely low. However, in 2009/10, one member of staff suffered longer-term absence due to ill health. In such circumstances, it is very pleasing to be able to report a surplus. The positive effect this surplus has on morale is quite disproportionate to the amount involved.

Overall, the Partnership has exceeded the standard performance target of 90% for the achievement of planned audit work for the partner councils and has just achieved 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 planned days in their approved audit plans for 2009/10.



This year, the Partnership has seen a reaffirmation of its role in supporting risk management. The Partnership has worked with the partner councils to introduce and strive to eventually embed risk management techniques by helping to facilitate workshops and to develop and manage risk registers.

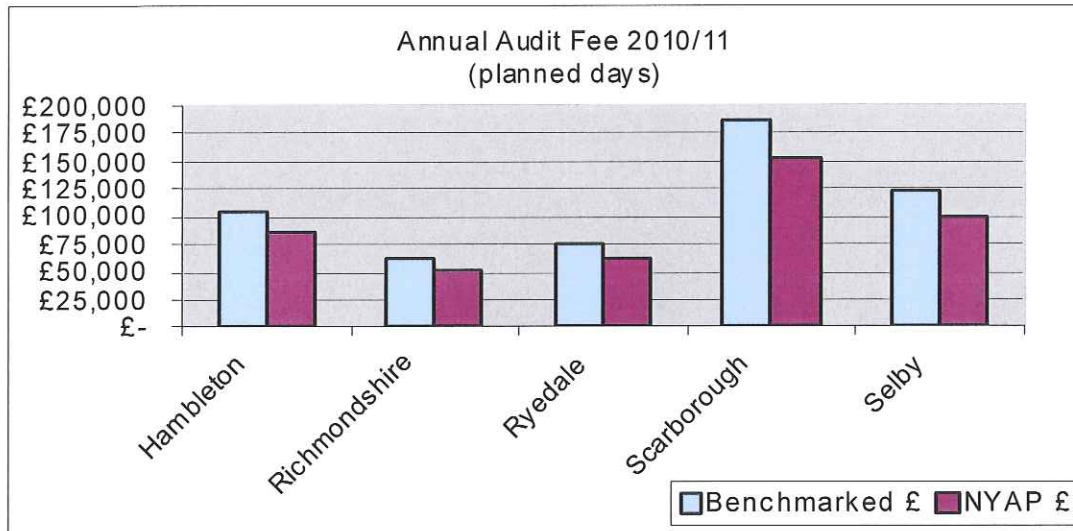
The continuing requirement for councils to prepare Annual Governance Statements has also added another aspect to the work of the Partnership and a specific aspect to the annual audit reports produced.

The current version of the Use of Resources assessments has 'upped the ante' in respect of Internal Audit, with the implicit requirement that councils ought to have specific 'audit committees'. All the partner councils have such committees and, to support them effectively, will continue 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 Agreement runs from 1 April 2008 through to 31 March 2012. The Partnership will continue to be a cost effective provider of internal audit services to the partner councils. Its daily audit rate set by the Partnership Management Board at £235 per day for 2009/10 (a 4.4% increase on 2008/09) compares favourably with the benchmarking group to which the Partnership belongs and even better against the rates of the Audit Commission and independent external audit providers.

The Partnership Management Board approved a daily rate for 2010/11 of £235; there is no increase on 2009/10. This demonstrates the Partnership's willingness to understand and accept that there will be far reaching changes in the forthcoming year(s) and that the Partnership needs to play a responsible part in holding costs stable, reducing partners' overall internal audit plans and delivering efficiencies to the partner councils.

The chart shows the projected fee for each partner council based on the planned days in their approved audit plans for 2010/11.



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.

The Partnership has continued to seek external work and currently provides internal audit services to the North Yorkshire Building Control Partnership and to one town council.

Close links continue to be developed with the other North Yorkshire district councils through the Chief Internal Auditors Group. The Partnership continues to put pressure on the finance officers at the partner councils to 'push the case' through their North Yorkshire Finance Officers (NYFO) meetings, where they have direct access to the decision makers from each council. The Partnership believes that, long-term, there may be potential to secure Harrogate Borough Council and Craven District Council to complete the North Yorkshire district councils 'set'.

However, it should be noted that City of York Council and North Yorkshire County Council have now formed a joint internal audit service. This is structured through a company trading under the name Veritau. The Partnership is now looking at the positive opportunity that this development presents for the two joint services to merge and form a complete North Yorkshire internal audit service serving county, city and districts alike. The benefits would fall not only to the partner councils, but also to the team, being part of a larger group with the attendant personal development opportunities that should arise.

Turning to the future, the principal issue that the Partnership continues to face is the significant changes to the methods of working in the partner councils, which is going to push the need for councils to identify and deliver savings especially in 'back office functions'. This initiative may 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 Partnership's audit work must change to reflect this.

Overall this has been a satisfactory year in performance terms and the Partnership has managed to achieve a financial surplus. However, more importantly, the Partnership has continued to deliver 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 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. DEBTORS & CREDITORS**

The accounts are maintained on an accruals basis in accordance with the Code of Accounting Practice and FRS 18. 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.

**3. FUNDING**

Contributions receivable 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.

**NORTH YORKSHIRE AUDIT PARTNERSHIP**  
**INCOME & EXPENDITURE ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2010**

2008/09			2009/10	
£	£		£	£
		<b>INCOME</b>		
		<b>RECHARGE TO PARTNERS</b>		
62,933.00		Ryedale District Council	59,103.00	
158,085.00		Scarborough Borough Council	155,476.00	
100,418.00		Selby District Council	94,212.00	
90,945.00		Hambleton District Council	84,020.25	
47,273.00	459,654.00	Richmondshire District Council	52,640.00	445,451.25
	35,846.50	<b>ADDITIONAL CONTRACT INCOME</b>		80,635.95
	495,500.50	<b>TOTAL INCOME</b>		526,087.20
		<b>EXPENDITURE</b>		
		<b>EMPLOYEES</b>		
310,728.57		Payroll	327,441.43	
22,728.53		National Insurance	23,753.08	
60,472.02		Superannuation	65,928.89	
54,462.40		Agency Staff	27,404.50	
2,655.00		Staff Recruitment Advertising	0.00	
0.00		Medical Fees	64.38	
3,670.96		Insurance	4,238.56	
1,810.00		Training	4,910.58	
1,106.00	457,633.48	Professional Subscriptions	1,358.00	455,099.42
	13,571.43	<b>TRANSPORT</b>		19,475.46
		Car Allowances		
		<b>SUPPLIES &amp; SERVICES</b>		
749.92		Equipment	297.00	
2,231.75		Miscellaneous	1,698.85	
0.00		Protective Clothing	373.49	
1,834.59		Printing & Stationery	1,591.94	
236.30		Photocopying	249.00	
209.00		Books & Publications	942.26	
2,299.77		Conference & Seminar Fees	2,844.66	
958.44		Travel & Subsistence	1,853.85	
54.00		Telephones	43.00	
0.92		Postage	7.80	
717.60		Software	2,579.80	
1,051.65		Advertising	1,283.80	
2,100.00		Audit Fee	2,550.00	
519.83	12,963.77	Consultants	1,448.62	17,764.07
	10,895.00	<b>SUPPORT SERVICES</b>		10,254.00
	495,063.68	<b>TOTAL EXPENDITURE</b>		502,592.95
	436.82	<b>OPERATING SURPLUS/(DEFICIT)</b>		23,494.25
	0.00	<b>CONTRIBUTION TO/(FROM) IT FUND</b>		0.00
	436.82	<b>SURPLUS/(DEFICIT) FOR YEAR</b>		23,494.25

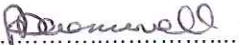
# NORTH YORKSHIRE AUDIT PARTNERSHIP

BALANCE SHEET AS AT 31 MARCH 2010

2008/09			2009/10		NOTES
£	£		£	£	
<b>ASSETS</b>					
110,240.49		Debtors	140,784.72		1
0.00	110,240.49	Cash in Hand	0.00	140,784.72	
<b>Less CURRENT LIABILITIES</b>					
		Creditors	845.60		2
0.00		Cash Overdrawn	99,909.98	100,755.58	
93,705.60	93,705.60				
	<u>16,534.89</u>			<u>40,029.14</u>	
<b>REPRESENTED BY</b>					
	9,534.89	Reserves		33,029.14	3
	7,000.00	IT Fund		7,000.00	4
	<u>16,534.89</u>			<u>40,029.14</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 2010.

Signed .....  .....

P D Cresswell CPFA

18 June 2010

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 Friday 25 June 2010.

Signed .....

Councillor R Kirk

25 June 2010

CHAIRMAN OF PARTNERSHIP MANAGEMENT BOARD



NOTES		£	£
<b>1</b>	<b>DEBTORS</b>		
		2009/10	2008/09
	Scarborough Borough Council	85,538.55	40,761.47
	Selby District Council	15,763.17	25,869.52
	Hambleton District Council	13,656.00	29,749.00
	Richmondshire District Council	25,827.00	13,860.50
		<u>140,784.72</u>	<u>110,240.49</u>
<b>2</b>	<b>CREDITORS</b>		
		2009/10	2008/09
	ACL Europe Ltd	<u>845.60</u>	<u>0.00</u>
<b>3</b>	<b>RESERVES</b>		
		Surplus b/f	Surplus for year
		Surplus c/f	
	Ryedale District Council	3,092.53	3,136.48
	Scarborough Borough Council	3,182.96	8,253.52
	Selby District Council	3,127.92	5,001.93
	Hambleton District Council	86.49	4,308.85
	Richmondshire District Council	44.99	2,793.47
		<u>9,534.89</u>	<u>23,494.25</u>
		<u>33,029.14</u>	
<b>4</b>	<b>IT FUND</b>		
	Balance b/f		7,000.00
	Contribution for year		0.00
	Balance c/f		<u>7,000.00</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>		

# NORTH YORKSHIRE AUDIT PARTNERSHIP

## CASH FLOW STATEMENT AS AT 31 MARCH 2010

2008/09	
£	£
436.82	
0.00	
<u>(8,064.48)</u>	(7,627.66)
(83,071.94)	
<u>(3,006.00)</u>	(86,077.94)
	<u><u>(93,705.60)</u></u>

**Surplus/(Deficit)**  
 Add **Contribution to/(from) IT Fund**  
**Cash in Hand/(Overdrawn) as at 1 April**

**Variations:-**

Decrease/(Increase) in Debtors  
 Increase/(Decrease) in Creditors

**Cash in Hand/(Overdrawn) as at 31 March**

2009/10	
£	£
23,494.25	
0.00	
<u>(93,705.60)</u>	(70,211.35)
(30,544.23)	
<u>845.60</u>	(29,698.63)
	<u><u>(99,909.98)</u></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 2010).

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)

18 June 2010

# NORTH YORKSHIRE AUDIT PARTNERSHIP

## ANNUAL GOVERNANCE STATEMENT

### 1. Scope of Responsibility

The North Yorkshire Audit Partnership 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.

### 2. The Purpose of the Annual Governance Statement (AGS)

The purpose of the Annual Governance Statement (AGS) 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 2010.

### 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, including the Annual Governance Statement.

#### ***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.

#### ***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 2009).</p> <p>The future options are being considered and an outline business case for each option is being developed.</p>	<p>Completed.</p> <p>June 2010 - Work in Progress.</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.	Completed.
Internal Audit (of the Partnership) provides independent and objective assurances across the whole range of the Partnership's activities.	<p>Being an Internal Audit Partnership, and recognising its small size, it does not have a specific continuous internal audit.</p> <p>This situation has been agreed by the Board and the S151 Officers of the partner councils.</p>	None as an Internal Auditor has been appointed to validate the accounts and to provide proper certification for External Audit.	Completed.
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.	<p>The risk management policy and the Partnership risk register (an identification of the most significant risks) are reported regularly to the Board.</p> <p>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.</p>	Risk management policy, and register to be reviewed and approved by the Board at each of its meetings.	Completed.

CONTROL	REVIEW OF EFFECTIVENESS	ACTION REQUIRED	STATUS
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.  Review the impact of the draft CIPFA Statement on the Role of the Chief Internal Auditor on the Partnership and the partner councils.	Report scheduled for the Dec 2010 Partnership Board meeting.  Report to the Dec 2010 meeting of the Partnership Board.
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.

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

The Head of the Partnership considered and reported in the 2007/08 AGS the following significant issue of concern:

- ◆ The present practice of presuming full delivery of agreed internal audit plans as the basis of the process of determining the approved daily fee rate is not sustainable. It is inevitable that certain audits will not be completed, or started for a variety of reasons. The process is that the Partnership only receives income for completed audits, and has to 'stand' the cost of any overruns on audits, as a driver to effectiveness; this the Partnership accepts and agrees is good practice. In addition, and compounding the problem, has been the approval for 2007/08 of an increase in the daily fee at a percentage less than the national pay award, together with a decrease in 2008/09. Whilst the principle is laudable and quite acceptable, again as a driver for effectiveness, the cost base is now almost 95% payroll and there is no room for non-payroll cost savings. Even with employee efficiency increases, there does come a point at which there is virtually no room for further gains. If partners have finite spending limits for Internal Audit then their only recourse will be to reduce the number of budgeted days in their agreed audit plans.
- This has been recognised to an extent, in so far as the daily rate for 2009/10 was set at £235, an increase of 4.5% (the 2009 national pay award estimated at 2.75%) so allowing the glimmer of hope that this issue has now been recognised and we can begin a gradual return to a sustainable daily fee rate.

- *June 2010 - For 2010/11 the daily rate has been held at the 2009/10 rate to reflect the lower than anticipated national pay award in April 2009 and anticipating a very low award in April 2010. The Partnership Board approved the daily rate for 2010/11 of £235. This demonstrates the Partnership's willingness to understand and accept that there will be far reaching changes in the forthcoming year(s) and that the Partnership needs to play a responsible part in holding costs stable, reducing partners' overall internal audit plans, and delivering efficiencies to the partner councils.*

In addition the following have been identified where action ought to be taken:

- ◆ Production of a strategic plan for the extended Partnership and possible integration with Veritau
  - *Scheduled for the budget meeting - December 2010*
- ◆ Ascertain relevant requirements and ensure any necessary compliance with the Data Protection Act and Freedom of Information Act
  - *Scheduled for the budget meeting - December 2010*

Signed ..... Councillor R Kirk 25 June 2010  
 CHAIRMAN OF PARTNERSHIP MANAGEMENT BOARD

Signed ..... P D Cresswell CPFA 25 June 2010  
 CORPORATE DIRECTOR (S151) (RYEDALE DISTRICT COUNCIL)

Signed ..... J R Ingham CPFA 25 June 2010  
 HEAD OF PARTNERSHIP (NORTH YORKSHIRE AUDIT PARTNERSHIP)