



Partnership Management Board  
1<sup>st</sup> December 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 2010/11.

### Introduction

This report covers the year 2010/11. The Management Board meeting in June 2010 received a report on activities for 2009/10.

### Staffing

We have now appointed Katie Barnard to replace Paul Jenkinson, who was our auditor in Richmondshire. She has come from another internal audit shared service in the Rutland area, so brings experience of the principles and practices of delivering audit across several councils. Based in Northallerton she will undertake audits at both Hambleton & Richmondshire Councils. We have covered the interregnum by using our freelance auditor and staff from other offices for specific audits. She will be continuing with her professional qualifications with us, currently commencing the final part of the Accounting Technician qualification.

Alex Buchanan, at the Scarborough Office continues to thrive at her MSc in Audit & Consultancy at Birmingham City University, passing all her exams, and concurrently through this route passing the IIA examinations. The course runs for a further year followed by a dissertation, and I would anticipate that in all probability she will have full IIA qualification in June 2011.

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*
- *CIPFA (North West North Wales) weekend school*
- *IIA regional seminars*
- *Data management*
- *ICT and Chief Auditor groups*

Attendance levels have now risen since last reporting to 99.3% (from 95.6% for 2009/10). Sickness levels continue to be below average at 0.7% overall. This reflects the voluntary severance of the one individual, who had some 69 days absence in 2009/10. The average absence now per member of staff is 0.75 days (year to date ~ end Oct 2010).

Unfortunately still not quite at the full year comparable figure for 2008/09 of 99.7%.

### Operational

This year we have been reasonably on target in the achievement of the planned audits. Across the five councils the average completion of the audit plan is running to schedule. The shortage of staff at the start of the year has meant that we have had to 'catch up' which, now fully staffed we are making headway with.

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%.

	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05
Hambleton	104%	90%	94%	N/A			
Richmondshire	92%	97%	110%	N/A			
Ryedale	96%	115%	108%	95%	96%	114%	102%
Scarborough	97%	90%	94%	106%	86%	92%	91%
Selby	96%	95%	114%	106%	103%	119%	92%
Average	97%	98%	104%	102%	95%	108%	95%

- Target 2010/2011 less than or equal to 100%
- The target percentage has just been achieved in this year to date.
- The rate are varied for a variety of reasons, however, the site with the least favourable ratio is Hambleton. At this point in the year, this is neither significant, nor a cause of concern.
- We have continued to provide exceptional support to one council with their new General Ledger system, and the budgeted amount of time has been used up. We are therefore discussing options to accommodate the additional time required, which may result in one or more audits being deferred to 2011/2012.
- However, the commitment of the team continues, and their work and that of our contract staff during the year continues to provide good audit reports.

During the year to date we have undertaken a 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: -

- Investigations into budget overspending.
- Internet usage
- Senior and middle staff abuse of position.
- 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 all staff in Selby, and are rolling this out to staff at the other Partner Councils. This is linked to the former Use of Resources assessments and expectations from the Audit Commission in their Annual Return required from Councils on their Counter Fraud activities. Their recent publication "protecting the Public Purse" reiterates their view that continuous FAT is beneficial. We have seen a small increase in referrals subsequent to the delivery of the FAT package to Heads of Service, managers, and staff.

The most significant change we are facing is the consequences arising from the Comprehensive Spending Review (CSR) published in October. It, as we know, is forecasting major reductions in council spending over the forthcoming few years. Internal Audit cannot expect to be exempt from this process, and we are being required by the partners to reduce audit plan days by around 5% per annum for the forthcoming years. Fortuitously this is one occasion when the age profile of the Partnership staff is beneficial, as there is likely to be sufficient natural change to accommodate this.

There is a case to be made for increased IA plans to watch over and advise on the revised and reduced internal control framework that may arise from staff cuts by the councils. However, the pragmatist knows that this isn't going to happen, so we are now looking to use the audit plan time we have in a more imaginative, flexible, and ultimately more effective way. To achieve this we will be reviewing the planning process to allow the Partnership to continue to deliver effective IA services.

### Partnership issues

The principal issue at the moment is taking forward the proposed integration of NYAP with Veritau. This recognises the opportunity for merging the two partnerships to deliver improved audit services to all the councils involved, more detailed 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.

We have undertaken an initial joint 'awayday' with Veritau staff and that allowed the two sets of staff to mingle and discuss their joint future. We plan to have a series of these as part of the integration process during 2011

### *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, proprietary Performance Management software has been procured and it includes Risk Management as a module. We are now being closely involved as risk professional in the implementation of the systems at these councils.

This move to software enabled Risk Management systems, which, by their nature, will be populated, and reviewed/ revised by the risk owners rather than internal audit acting as facilitators will lead to a diminution of our risk management work. Therefore we will turn to the more purist, conventional internal audit approach of auditing the process and extending our current activities of looking critically at risks, especially the action plans to be able to provide senior management with an independent, objective assurance statement about the implementation of planned risk mitigation activities.

Therefore the style and content of our risk management work will change but we will continue to provide an active role in their Risk Management processes.

### *Audit Planning*

Audit plans for 2011/12 are starting to be prepared for approval by the audit committee for each council. We know that changes in operating arrangements, and the increased expectation of continuing financial savings, have led to reductions in the number of audit days provided in future years in the individual audit plans.

The Partners have required cuts of around 5% for 2011/12 and subsequent years, 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 two 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 where one provides internal audit through a contract to the other.

We continue to court their involvement and inclusion. Indeed we have held meetings with them to that effect, and it must be said that there is a chink of light as they accept that the world is changing, so we will be ensuring that the future integration of NYAP with Veritau includes an option for the two recalcitrant councils to join, preferably at the same time, and if not then, then as soon as they may wish.

We are looking at providing some ICT audit resource to our colleagues in Hull City Council to enable them to more fully utilise the Data Interrogation software they have, which is the one we use and have an established position of eminence with. Our presence would give much needed independence and fresh critical thought.

We anticipate doing a similar piece of work for East Coast Audit (the health audit consortium) using specifically ICT data analysis skills and an audit associated with those skills.

### 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 had a successful year in 2010/2011, and look forward to repeating this in 2011/2012.

### Recommendation

That

- a) The report is received.