



Partnership Management Board
29th June 2011

Annual Return 2010/11
Report of the Head of Partnership

Introduction

- 1). The North Yorkshire Audit Partnership was created and took effect from 1st 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 were met.
- 5). The Partnership is also subject to External Audit.
- 6). The Regulations have been 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 30th 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 changes in the Regulations and the requirements of the Annual Return are threefold.
- 10). Firstly the accountancy requirements are 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 it is proposed that the existing accounting arrangements will continue.
- 11). Section 1 of the return, the Statement of Accounts, will still have to be completed which will be done by the accountancy support provided by the host council. It has also 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 it is proposed that this will be completed, and signed together with the AGS 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). The final change lies in the requirements for Audit of the Partnership. No longer will the Audit Commission locally undertake the internal audit. We are now required to submit a completed Internal Audit return, similar to the ones used for local Councils.
- 15). What we are therefore required to do is secure an internal audit (to replace the work previously done by the Audit Commission locally) and that appointed auditor has to complete section 4 of the return. Once completed the 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 only requirements specified for the appointment is that the internal auditor must be 'independent, and competent'. Again this is guidance taken directly from that given to local councils.
- 17). There is, therefore the risk that, if not careful, the Partnership will find that the reduction in the external audit fee has been outweighed by the combination of the revised (reduced) external audit fee and a new internal audit fee.

- 18). The Partnership manager has commissioned an internal audit through Veritau, the company formed through the merger of the audit services of the City of York and North Yorkshire County Councils. The advantage of using Veritau is simply that, of the expenditure of the Partnership, 90+% is payroll, which is provided through the City of York Council's payroll services, which is subject to annual audit by Veritau. Secondly they are adjacent and understand the requirements of this audit.
- 19). Our professional opinion is that the work required should be able to be completed within 2-3 days, having now 'learnt' our processes. Clearly if in the future the appointment is changed, then there may be some extra time required to acquire the knowledge and understanding of the systems of internal control in place (compliance with ISA315). On that basis it is proposed that a maximum estimate of £1,000 is used.
- 20). The fee that is expected from the Audit Commission is £1,500 (an increase due to the increased turnover of the Partnership), which together with an estimated maximum £1,000 for internal audit is around our budgeted audit fee of £2,500.

Recommendations

It is recommended that: -

- (i) 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 Partnership Board formally approves and signs the return.