



ACCOUNTS FOR THE
PERIOD ENDED
31 MARCH 2011

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 pages 4 and 5. 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 twelfth full year's results for the Partnership.

The Partnership has made a surplus of £36,419 on the year's trading. This surplus representing 7.4% of the turnover will be added, proportionately, to each partner's share of the main reserve.

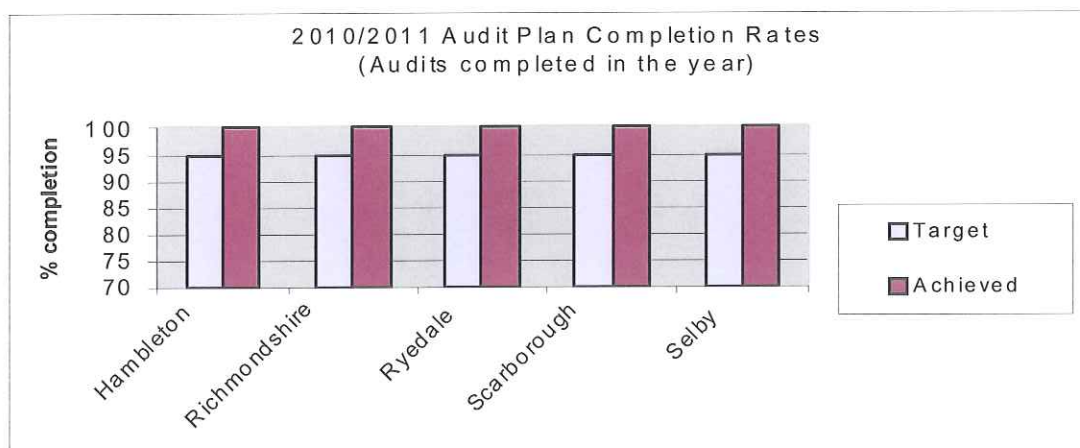
The surplus for 2010/11 has been shared in proportion to the amount of planned audit work charged to each partner council and added to their reserves. In total, the reserves now stand at £69,448. The Partnership Management Board has agreed that the level of reserves should be capped at £50,000, which is approximately 10% of the turnover of the extended Partnership.

For 2010/11, no additional contribution has been made to the IT Fund. The level of reserves now stands at £69,448, with a balance of £7,000 in the IT Fund. The main reserve represents 14.1% of the turnover and is therefore above the level of 10% that was considered to be appropriate to provide for the unforeseen. These reserves are 'owned' by the partner councils and the Partnership Management Board has a report before it to determine what to do with these 'additional' reserves of £19,448.

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.

Overall, the Partnership has exceeded the standard performance target of 90% for the achievement of planned audit work for the partner councils and has also exceeded 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 revised planned audits in their approved audit plans for 2010/11.



This year, the Partnership has seen a reaffirmation of its role in supporting risk management. However this is a diminishing role, as the partner councils continue to embed combined performance management and risk management software, which is 'owned', managed and maintained by managers. The Partnership has worked with the partner councils to embed risk management techniques by helping to facilitate workshops and to develop and manage risk registers.

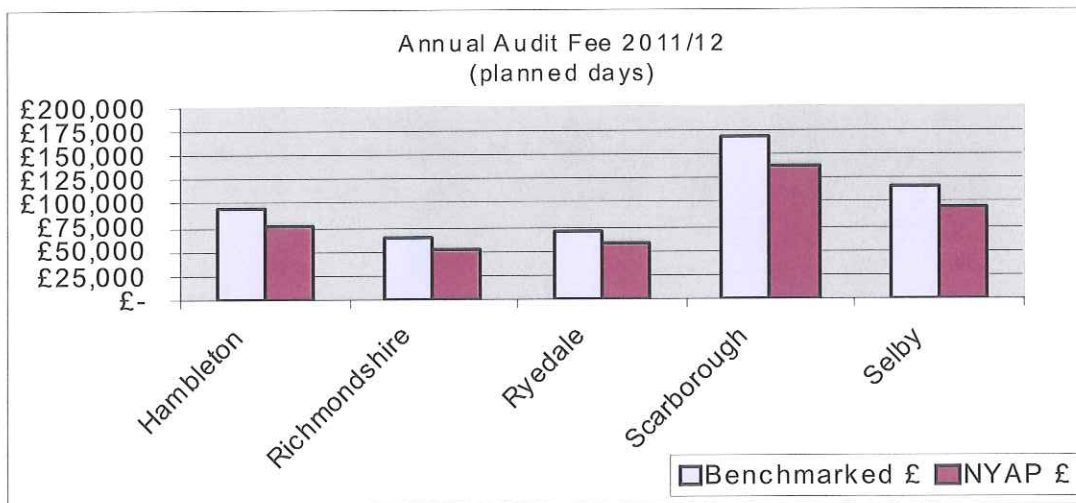
The continuing requirement for councils to prepare Annual Governance Statements has also added another aspect to the work of the Partnership and a specific aspect to the annual audit reports produced.

All the partner councils have audit (and governance) committees and, to support them effectively, it continues 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 2010/11 (a small aggregate 4.4% increase since 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 has approved a daily rate for 2011/12 of £235; there is no increase on 2010/11. 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 2011/12. It should be noted that some of the partner councils are reducing the amount of audit plan time as part of their cost efficiency measures.



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, ultimately, there may be potential to secure Harrogate Borough Council and Craven District Council to complete the North Yorkshire district councils 'set'.

However, 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 also 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 very 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 Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with guidance notes issued by CIPFA on the application of accounting standards (SSAPs and FRSS).

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. ACCRUALS OF INCOME & EXPENDITURE

The accounts are maintained on an accruals basis, 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. In particular:

- Fees and charges due from customers are accounted for as income at the date the Partnership provides the relevant services.
- Supplies are recorded as expenditure when they are consumed.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. FUNDING

Contributions receivable by the North Yorkshire Audit Partnership 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.

5. OVERHEADS & SUPPORT SERVICES

The costs of overheads and support services are charged to the North Yorkshire Audit Partnership in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice (BVACOP). The total absorption costing principle is used, with the full cost of overheads and support services being shared between users in proportion to the benefits received.

6. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it.

7. PENSIONS

Employees of the North Yorkshire Audit Partnership participate in the Local Government Pension Scheme, administered by North Yorkshire County Council. It is not possible to allocate a share of the assets and liabilities of the North Yorkshire Pension Fund to the Partnership, with pensions being accounted for on a defined contribution basis. The amount charged to the Income and Expenditure Account in respect of pension costs and other post retirement benefits is the contribution payable in the year. Any difference between the contribution payable in the year and the contribution actually paid is shown as either a prepayment or an accrual in the Balance Sheet.

NORTH YORKSHIRE AUDIT PARTNERSHIP
INCOME & EXPENDITURE ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2011

2009/10			2010/11	
£	£		£	£
INCOME				
RECHARGE TO PARTNERS				
		Ryedale District Council	62,064.00	
59,103.00		Scarborough Borough Council	164,336.00	
155,476.00		Selby District Council	94,517.00	
94,212.00		Hambleton District Council	90,141.80	
84,020.25		Richmondshire District Council	54,779.00	465,837.80
52,640.00	445,451.25			
	80,635.95	ADDITIONAL CONTRACT INCOME		28,014.50
	<u>526,087.20</u>	TOTAL INCOME		<u>493,852.30</u>
EXPENDITURE				
EMPLOYEES				
		Payroll	278,140.55	
327,441.43		National Insurance	20,236.12	
23,753.08		Superannuation	55,705.91	
65,928.89		Redundancy Costs	27,479.42	
0.00		Agency Staff	27,594.25	
27,404.50		Medical Fees	20.00	
64.38		Insurance	3,096.56	
4,238.56		Training	545.70	
4,910.58		Professional Subscriptions	799.00	413,617.51
1,358.00	455,099.42			
	19,475.46	TRANSPORT		19,268.02
		Car Allowances		
		SUPPLIES & SERVICES		
		Equipment	515.51	
297.00		Miscellaneous	817.72	
1,698.85		Protective Clothing	9.19	
373.49		Printing & Stationery	1,087.59	
1,591.94		Photocopying	111.46	
249.00		Books & Publications	210.00	
942.26		Conference & Seminar Fees	3,800.00	
2,844.66		Travel & Subsistence	1,257.57	
1,853.85		Telephones	41.16	
43.00		Postage	0.00	
7.80		Software	1,084.80	
2,579.80		Advertising	1,623.48	
1,283.80		Audit Fee	3,350.00	
2,550.00		Consultants	961.52	14,870.00
1,448.62	17,764.07			
	10,254.00	SUPPORT SERVICES		9,677.48
	<u>502,592.95</u>	TOTAL EXPENDITURE		<u>457,433.01</u>
	23,494.25	OPERATING SURPLUS/(DEFICIT)		<u>36,419.29</u>
	0.00	CONTRIBUTION TO/(FROM) IT FUND		0.00
	<u>23,494.25</u>	SURPLUS/(DEFICIT) FOR YEAR		<u>36,419.29</u>


NORTH YORKSHIRE AUDIT PARTNERSHIP

BALANCE SHEET AS AT 31 MARCH 2011

2009/10			2010/11		NOTES
£	£		£	£	
ASSETS					
140,784.72		Debtors	103,418.50		1
0.00	140,784.72	Cash in Hand	0.00	103,418.50	
Less CURRENT LIABILITIES					
		Creditors	0.00		2
845.60		Cash Overdrawn	26,970.07	26,970.07	
99,909.98	100,755.58				
	<u>40,029.14</u>			<u>76,448.43</u>	
REPRESENTED BY					
	33,029.14	Reserves		69,448.43	3
	7,000.00	IT Fund		7,000.00	4
	<u>40,029.14</u>			<u>76,448.43</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 2011.

Signed  P D Cresswell CPFA 17 June 2011
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 Wednesday 29 June 2011.

Signed Councillor S Parsons 29 June 2011
CHAIRMAN OF PARTNERSHIP MANAGEMENT BOARD

NOTES		£	£
1	DEBTORS		
		2010/11	2009/10
	Scarborough Borough Council	44,420.91	85,538.55
	Selby District Council	21,267.80	15,763.17
	Hambleton District Council	17,451.29	13,656.00
	Richmondshire District Council	16,380.00	25,827.00
	Richmond Town Council	750.00	0.00
	Essex Audit Group	250.00	0.00
	Worcestershire Shared Audit Srvs Partnership	523.50	0.00
	Hull City Council	1,875.00	0.00
	North Yorkshire Procurement Partnership	500.00	0.00
		<u>103,418.50</u>	<u>140,784.72</u>
2	CREDITORS		
		2010/11	2009/10
	ACL Europe Ltd	<u>0.00</u>	<u>845.60</u>
3	RESERVES		
		Surplus b/f	Surplus for year
		Surplus c/f	
	Ryedale District Council	6,229.01	4,945.74
	Scarborough Borough Council	11,436.48	13,092.73
	Selby District Council	8,129.85	7,531.51
	Hambleton District Council	4,395.34	6,486.28
	Richmondshire District Council	2,838.46	4,363.03
		<u>33,029.14</u>	<u>36,419.29</u>
			<u>69,448.43</u>
4	IT FUND		
	Balance b/f		7,000.00
	Contribution for year		0.00
	Balance c/f		<u>7,000.00</u>
5	STATUS OF THE NORTH YORKSHIRE AUDIT PARTNERSHIP		
	<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 2011

2009/10			2010/11	
£	£		£	£
23,494.25		Surplus/(Deficit)	36,419.29	
<u>0.00</u>	23,494.25	Add Contribution to/(from) IT Fund	<u>0.00</u>	36,419.29
Variations:-				
		Decrease/(Increase) in Debtors	37,366.22	
(30,544.23)		Increase/(Decrease) in Creditors	<u>(845.60)</u>	36,520.62
<u>845.60</u>	(29,698.63)			
		Net Increase/(Decrease) in Cash		
	<u>(6,204.38)</u>		<u>72,939.91</u>	

MOVEMENT IN CASH	As at 31.3.11 £	As at 31.3.10 £	Movement £
Cash in Hand/(Overdrawn)	(26,970.07)	(99,909.98)	72,939.91
Net Increase/(Decrease) in Cash	<u>(26,970.07)</u>	<u>(99,909.98)</u>	<u>72,939.91</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 2011).

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)

17 June 2011

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 2011.

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.

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.

The Chief Financial Officer of the Partnership is also the Corporate Director (s151) at the host council; Ryedale District Council. In that role the Chief Financial Officer is directly responsible to the Chief Executive and so this arrangement meets the criteria set out for the role of the Chief Financial Officer in Local Government and thereby meets the requirement in respect of the Partnership.

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 2010).</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> <p>June 2011 - Final work is under way.</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 corporate risk register (an identification of the most significant risks) have been approved by 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.	Report scheduled for the Dec 2011 Board meeting.
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; the Partnership accepts and agrees this is good practice. In addition, and compounding the problem, was 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 is 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 April 2009 national pay award was agreed 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.*
 - *With 0% national pay awards in April 2010 and 2011 this is less of an issue, and additionally the partners have elected to manage their Internal Audit costs by reducing the quantity of Internal Audit work over the next 4 years. This issue is now completed.*

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

- ◆ Production of a strategic plan for the extended Partnership and possible integration with Veritau
 - *Scheduled for the Board meeting - December 2010 - Completed*
- ◆ Complete a revised risk register for the extended Partnership
 - *Completed and reviewed - It is presented at each meeting for review by the Board*
- ◆ Ascertain relevant requirements and ensure any necessary compliance with the Data Protection Act and Freedom of Information Act
 - *Scheduled for the Board meeting - December 2011*

Signed Councillor S Parsons

29 June 2011

CHAIRMAN OF PARTNERSHIP MANAGEMENT BOARD

Signed P D Cresswell CPFA

29 June 2011

CORPORATE DIRECTOR (S151) (RYEDALE DISTRICT COUNCIL)

Signed J R Ingham CPFA

29 June 2011

HEAD OF PARTNERSHIP (NORTH YORKSHIRE AUDIT PARTNERSHIP)

Small Bodies in England

Annual return for the year ended

31 March 2011

Small relevant bodies in England with an annual turnover of £1 million or less must complete an annual return summarising their annual activities at the end of each financial year.

The annual return on the following pages is made up of four sections:

- **Sections 1 and 2** are to be completed by the person nominated by the body.
- **Section 3** will be completed by the external auditor.
- **Section 4** is to be completed by the body's internal audit provider.

Each body must ensure this annual return is approved no later than 30 June 2011.

Completing your annual return

Guidance notes, including a completion checklist, are provided on page 6 and at relevant points in the annual return.

Please complete all sections highlighted in red. Do **not** leave any red box blank. Incomplete or incorrect returns may require additional external audit work and incur additional costs.

Please send the annual return, together with your bank reconciliation as at 31 March 2011, an explanation of any significant year on year variances in the accounting statements and any additional information requested, to your appointed external auditor by the due date.

If required, your auditor will identify and ask for any documents needed for audit. Unless requested, please do **not** send any original financial records to the external auditor.

Audited and certified annual returns will be returned to the body for publication or public display of sections 1, 2 and 3.

It should not be necessary for you to contact the external auditor or the Audit Commission directly for guidance.

More guidance on completing this annual return is available in the Practitioners' Guides for either local councils or internal drainage boards. These publications may be downloaded from the National Association of Local Councils (NALC) or Society of Local Council Clerks (SLCC) websites (www.nalc.gov.uk or www.slcc.co.uk) or from the members area of the Association of Drainage Authorities website (www.ada.org.uk).

Section 1 – Accounting statements for:

NORTH YORKSHIRE AUDIT PARTNERSHIP (SIGN BODY HERE)

	Year ending		Notes and guidance
	31 March 2010 £	31 March 2011 £	
1 Balances brought forward	16,535	40,029	Total balances and reserves at the beginning of the year as recorded in the body's financial records. Value must agree to Box 7 of previous year.
2 (+) Income from local taxation and/or levy	0	0	Total amount of local tax and/or levy received or receivable in the year including funding from a sponsoring body.
3 (+) Total other receipts	526,087	493,852	Total income or receipts as recorded in the cashbook less income from taxation and/or levy (line 2). Include any grants received here.
4 (-) Staff costs	455,099	413,618	Total expenditure or payments made to and on behalf of all body employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and employment expenses.
5 (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on the body's borrowings (if any).
6 (-) All other payments	47,494	43,815	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7 (=) Balances carried forward	40,029	76,448	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6)
8 Total cash and short term investments	(99,910)	(26,970)	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – to agree with bank reconciliation.
9 Total fixed assets and long term assets	0	0	The recorded book value at 31 March of all fixed assets owned by the body and any other long term assets e.g. loans to third parties and any long-term investments.
10 Total borrowings	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).

I certify that for the year ended 31 March 2011 the accounting statements in this annual return present fairly the financial position of the body and its income and expenditure, or properly present receipts and payments, as the case may be.

Signed by Responsible Financial Officer:

[Signature]

Date 17 JUNE 2011

I confirm that these accounting statements were approved by the body on:

[Signature]

and recorded as minute reference:

MINUTE REFERENCE

Signed by Chair of meeting approving these accounting statements:

SIGNATURE REQUIRED

Date *[Signature]*

Section 2 – Annual governance statement

We acknowledge as the members of our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2011, that:

	Agreed – Yes or No*	'Yes' means that the body:
1 We have approved the accounting statements prepared in accordance with the requirements of the Accounts and Audit Regulations and proper practices.		prepared its accounting statements in the way prescribed by law.
2 We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.		made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3 We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the body to conduct its business or on its finances.		has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.
4 We have provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.		during the year has given all persons interested the opportunity to inspect and ask questions about the body's accounts.
5 We have carried out an assessment of the risks facing the body and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.		considered the financial and other risks it faces and has dealt with them properly.
6 We have maintained throughout the year an adequate and effective system of internal audit of the body's accounting records and control systems.		arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of the body.
7 We have taken appropriate action on all matters raised in reports from internal and external audit.		responded to matters brought to its attention by internal and external audit.
8 We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the body and where appropriate have included them in the accounting statements.		disclosed everything it should have about its business activity during the year including events taking place after the year-end if relevant.

This annual governance statement is approved by the body and recorded as minute reference

dated

Signed by:

Chair

dated

Signed by:

Clerk

dated

***Note:** Please provide explanations to the external auditor on a **separate sheet** for each 'No' response that has been given; and describe what action is being taken to address the weaknesses identified.

Section 3 – External auditor’s certificate and opinion

Certificate

We certify that we have completed the audit of the annual return for the year ended 31 March 2011 of

ENTER NAME OF REPORTING BODY HERE

Respective responsibilities of the body and the auditor

The body is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The body prepares an annual return in accordance with proper practices which:

- summarises the accounting records for the year ended 31 March 2011; and
- confirms and provides assurance on those matters that are important to our audit responsibilities.

Our responsibility is to conduct an audit in accordance with guidance issued by the Audit Commission and, on the basis of our review of the annual return and supporting information, to report whether any matters that come to our attention give cause for concern that relevant legislation and regulatory requirements have not been met.

External auditor’s report

(Except for the matters reported below)* on the basis of our review, in our opinion the information in the annual return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

(*delete as appropriate).

(continue on a separate sheet if required)

Other matters not affecting our opinion which we draw to the attention of the body:

(continue on a separate sheet if required)

External auditor’s signature

External auditor’s name

Date

Note: The auditor signing this page has been appointed by the Audit Commission and is reporting to you that they have carried out and completed all the work that is required of them by law. For further information please refer to the Audit Commission’s publication entitled *Statement of Responsibilities of Auditors and of Audited Small Bodies*.

Section 4 – Annual internal audit report to

ENTER NAME OF REPORTING BODY HERE

The body's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2011.

Internal audit has been carried out in accordance with the body's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the body.

Internal control objective	Agreed? Please choose from one of the following Yes/No*/Not covered**
A Appropriate accounting records have been kept properly throughout the year.	
B The body's financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	
C The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	
D The annual taxation or levy or funding requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	
E Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	
F Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	
G Salaries to employees and allowances to members were paid in accordance with body approvals, and PAYE and NI requirements were properly applied.	
H Asset and investments registers were complete and accurate and properly maintained.	
I Periodic and year-end bank account reconciliations were properly carried out.	
J Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, were supported by an adequate audit trail from underlying records, and, where appropriate, debtors and creditors were properly recorded.	

For any other risk areas identified by the body (list any other risk areas below or on separate sheets if needed) adequate controls existed:

Name of person who carried out the internal audit:

PRINT NAME

Signature of person who carried out the internal audit:

SIGNATURE REQUIRED

Date:

DD/MM/YYYY

***Note:** If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

****Note:** If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, internal audit must explain why not (add separate sheets if needed).

Guidance notes on completing the 2011 annual return

- 1 Proper practices for preparing this annual return are found in the *Practitioners' Guides**. These publications are regularly updated and contain everything you should need to prepare successfully for your financial year-end and the subsequent audit. Both NALC and SLCC have helplines should you wish to talk through any problem you may encounter.
- 2 Please make sure that your annual return is complete (i.e. no empty red boxes), and is properly signed and dated. Avoid making any amendments to the completed return. But, if this is unavoidable, make sure the amendments are approved by the body, properly initialled and an explanation for them is provided to the auditor. Annual returns containing unapproved or unexplained amendments will be returned unaudited and may incur additional costs.
- 3 Use the checklist provided below. Use a second pair of eyes, perhaps a member or the Chair, to review your annual return for completeness before sending it off to the auditor.
- 4 Please do not send the auditor any information not specifically asked for. Doing so is not helpful. However, you must advise the auditor of any change in Clerk, Responsible Financial Officer or Chair.
- 5 Make sure that the copy of the bank reconciliation which you send to your auditor with the annual return covers **all** your bank accounts. If your body holds any short-term investments, please note their value on the bank reconciliation. The auditor should be able to agree your bank reconciliation to Box 8 on the Statement of Accounts. **You must provide an explanation for any difference between Box 7 and Box 8.** More help on bank reconciliation is available in the *Practitioners' Guides**.
- 6 Please **explain fully** significant variances in the accounting statements. Do not just send in a copy of your detailed accounting records instead of this explanation. The auditor wants to know that **you** understand the reasons for all variances. Please include a complete analysis to support your explanation. There are a number of examples provided in the *Practitioners' Guides** to assist you.
- 7 If the auditor has to review unsolicited information, or receives an incomplete bank reconciliation, or you do not fully explain variances, this may incur additional costs for which the auditor will make a charge.
- 8 Please make sure that your accounting statements add up! Also please ensure that the balance carried forward from the previous year (Box 7 of 2010) equals the balance brought forward in the current year (Box 1 of 2011).
- 9 **Do not complete section 3.** The external auditor will complete it at the conclusion of their audit.

Completion checklist – 'No' answers mean you may not have met requirements		Done?
All sections	All red boxes have been completed?	
	All information requested by the external auditor has been sent with this annual return? Please refer to your notice of audit.	
Section 1	Approval by the body confirmed by signature of Chair of meeting approving the accounting statements?	
	An explanation of significant variations from last year to this year is provided?	
	Bank reconciliation as at 31 March 2011 agreed to Box 8?	
	An explanation of any difference between Box 7 and Box 8 is provided?	
Section 2	For any statement to which the response is 'no', an explanation is provided?	
Section 4	All red boxes completed by internal audit and explanations provided?	

***Note:** *Governance and Accountability for Local Councils in England – A Practitioners' Guides*, is available from NALC and SLCC representatives or *Governance and Accountability for Internal Drainage Boards in England – A Practitioners' Guides*, is available from the ADA at The Association of Drainage Authorities, 12 Cranes Drive, Surbiton, Surrey, KT5 8AL or from the NALC, SLCC or ADA websites - see page 1 for addresses.