



Partnership Management Board  
25<sup>th</sup> June 2010

Agenda item  
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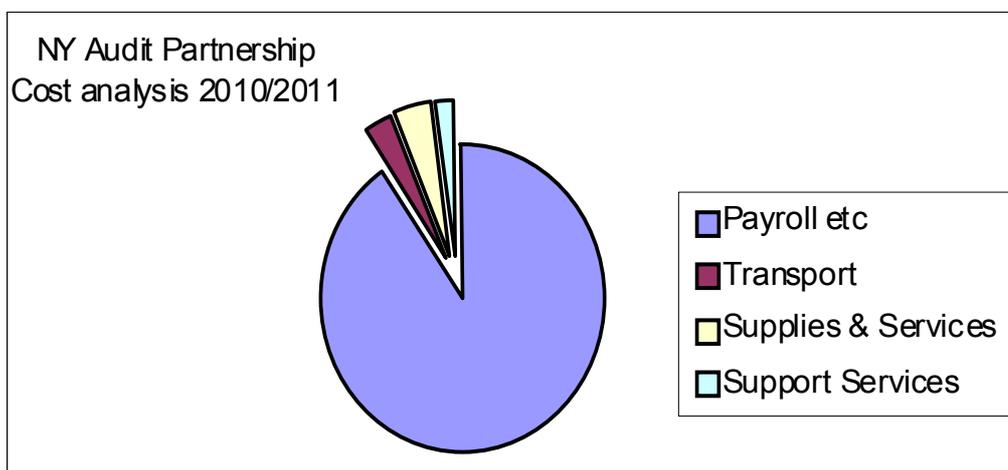
Financial results 2009/10; report of  
the Audit Manager

Purpose of the report:

This report is to advise members of the financial results for the year 2009/2010.

- 1) The Partnership was formed under the provisions of the 1972 Local Government Act, and is a joint committee delivering internal audit services to the Partner Councils. Therefore as a 'specified body' it has a duty to prepare accounts separate to the Partner Councils.
- 2) Members will be aware, therefore, that the Partnership produces an independent set of accounts to comply with the requirements of the Act.
- 3) The accounts have to be approved by the Partnership Management Board and in accordance with the Accounts & Audit Regulations. These specify, inter alia, that the accounts must be approved by 30th June annually.
- 4) There is a requirement in the Accounts & Audit Regulations requiring that 'specified bodies' conduct, annually, a review of their Internal Control Systems and prepare an Annual Governance Statement (AGS) which is to be signed by the 'most senior member' and 'most senior officer' of the body. An AGS has been drafted and after taking advice from the Partnership's external auditors it is proposed that this should be approved by the Board and then signed by the Chairman of the Board, the Chief Financial Officer of the host council (the S151 officer), and the Head of the Partnership. The AGS is incorporated in the Accounts.
- 5) There is also further requirement from the Audit Commission, as we are classed as a 'smaller body'. We have to complete an Annual Return, which, in effect replaces the external audit that was previously undertaken by the local Audit Commission staff. This return has to be discussed by the Board and the governance component signed off by the Board. As stated above the Partnership has prepared a separate AGS which is a formal document extending the governance component of the Annual Return.
- 6) In the Annual Return there is an Internal Audit component, which will be completed by our internal auditors (Veritau) once they have completed their work in June.
- 7) The Accounts and Audit regulations also stipulate that a body must undertake a review of the effectiveness of its system of internal audit and that the results are reviewed by the body. This is incorporated into the Annual Return. Given our small size, and that our internal audit places a significant amount of reliance that the Partnership's main financial systems are those of the host, consequently their work is reduced. It is proposed that the fact that the internal auditors are Veritau internal audit staff, are professionally qualified, and are subject to tri-ennial review by the Audit Commission, that this is sufficient review to allow members of the Board to approve that element of the Annual Return.

- 8) The accounts attached as Appendix 1 show that at the end of the year we have a surplus on the years trading of £23,500, which is around 4.5% of turnover. This surplus will be added to the reserves of the partnership, which will now be in the order of £33,000 plus £7,000 in IT reserves.
- 9) The reserves 'owned' by the 5 partners in the extended partnership represents around 6.5% of the increased turnover. The table in Appendix 2 shows the amount of the reserve attributable to each Partner.
- 10) It was agreed at a previous Board meeting, when there were three Partners, and a turnover of around £350,000, that there should be a limit on the amount of reserves that the Partnership holds, and a level of around 10% of turnover or £35,000 was agreed. It is suggested that the percentage level of reserves should be reaffirmed resulting in an increase in the level of reserves that may be held to £50,000
- 11) These reserves are required, as the Partnership stands financially separate to the Partner Councils. Therefore any unforeseen financial demands fall to the Partnership itself, rather than as with a standard IA service, with its holding council. So, for example, if the partnership had a member of staff with a long-term illness, the costs of engaging agency staff could be met.
- 12) This is important as the partnership's income is predicated on delivering the agreed audit plan. The loss of staff time would therefore reduce output; hence income and so could lead the partnership into a deficit. (For comparison, with a standard IA service, those additional costs would be met by the council, or the audit plan would be reduced.)
- 13) Current agency rates are around £30+ per hour for experienced staff, which equates to around £1,000 to £1,250 per week. Reserves of £35,000 would cover up to 155 audit days (7.5% of overall IA plans) 31 weeks before being exhausted.
- 14) Any reserves held above the agreed level at the year-end, would be distributed back to the partner councils.
- 15) At the Partnership Board meeting the members decided that the daily rate for 2010/11 would be maintained at £235. This recognises that the national pay award for 2010 is likely to be very low, or even negative. It recognises that savings must be made, and pushes the efficiency envelope for the Partnership staff a little further.



- 16) We, in addition, have to continually bear in mind the mix of expenditure, and the Partnership's mix is such that, over 90% of the expenditure is payroll and employee costs, so any variations to non Payroll costs have a lesser impact on the final expenditure for the Partnership.
- 17) Furthermore, we have traditionally planned for 100% recovery of time so our daily rate is set at cost recovery level with only a minimal %age incorporated for the unforeseen, or reserve accumulation. We have always set our budget on this recovery rate of 100%, which therefore assumes that all audits will be completed and so our income is optimised. This, with hindsight, was probably a mistake, carrying over from the in-house provision concept where there was no tangible (financial) link between performance and income.
- 18) Consequently when this particular combination of circumstances arises our income stream is interrupted, but our expenditure continues, so we are immediately facing the likelihood of a deficit. To avoid such we continue to secure internal efficiency savings in our operating systems.

#### Recommendation

It is recommended

- 1) That the Financial report for the year 2009/2010 be received.
- 2) The level of reserves be increased to £50,000.
- 3) The Statement of Accounts are approved, and
- 4) The Annual Return, and Annual Governance Statement are approved, and formally signed.

## NORTH YORKSHIRE AUDIT PARTNERSHIP BUDGET ESTIMATE 2010/2011

EXPENDITURE & INCOME

2009/10		2009/10	2010/11	
Estimate £		Actuals £	Estimate £	£
	<b>Employees</b>			
372,806	Payroll	354,846	352,524	
104,693	Superannuation and NI	89,682	101,487	
<b>477,769</b>	<u>Payroll costs</u>	<b>444,528</b>		<b>454,011</b>
	<b>Supplies &amp; Services</b>			
1,250	Training – Professional	4,910	1,500	
1,500	Professional subscription	1,358	1,250	
1,500	Equipment	670	1,500	
500	Miscellaneous	1,763	1,000	
500	Printing	0	0	
250	Stationery	1,592	1,000	
250	Photocopying	249	250	
750	Books and Publications	942	750	
4,500	Conference & Seminar Fees	4,699	4,500	
125	Postage & Franking	51	75	
1,000	Software Licences	2,580	1,000	
7,000	Car Allowance - Casual	19,475	15,000	
<b>19,125</b>		<b>38,289</b>	<b>27,825</b>	
1,250	Recruitment & advertising	1,284	1,500	
2,400	Audit Fee	2,550	2,400	
3,500	Professional Indemnity Insurance	4,239	3,500	
1,250	Contribution to IT reserve fund	0	1,250	
10,500	Support Services	10,254	10,500	
<b>18,900</b>		<b>19,776</b>	<b>19,150</b>	
<b>38,025</b>	<u>Support Services</u>	<b>58,065</b>	<b>46,975</b>	<b>46,975</b>
<b>515,794</b>		<b>502,593</b>		<b>500,986</b>
	<b>Income;</b>			
	<b>Daily rate;2010/11;2009/10 ~ £235;</b>			
	<b>2008/09 ~ £225.00 (2007/08: £229.00)</b>			
471,175	Recharge to Partners (planned audit)	445,451		451,814
49,350	Additional Contract & Partner Income	80,636		49,289
<b>520,525</b>		<b>526,087</b>		<b>501,103</b>
<b>4,731</b>	Surplus (Deficit)	<b>23,494</b>		<b>217</b>

**NORTH YORKSHIRE AUDIT PARTNERSHIP RESERVES 2010/2011**

	Hambleton £	Richmondshire £	Ryedale £	Scarborough £	Selby £	NYAP total £
Bt/Fwd	86	45	3,093	3,183	3,128	9,535
2009/10	4,309	2,793	3,136	8,254	5,002	23,494
C/Fwd	4,395	2,838	6,229	11,437	8,130	33,029