



## **NORTH YORKSHIRE AUDIT PARTNERSHIP**

Friday 25 June 2010 at 2.00 pm

Council Chamber, Ryedale House, Malton

### **Agenda**

**1 Emergency Evacuation Procedure**

The Chairman to inform Members of the Public of the emergency evacuation procedure.

**2 Appointment of the Chairman**

**3 Apologies for absence**

**4 Minutes of the Meeting Held on 26 March 2010**

(Pages 1 - 6)

**5 Urgent Business**

To receive notice of any urgent business which the Chairman considers should be dealt with at the meeting as a matter of urgency by virtue of Section 100B(4)(b) of the Local Government Act 1972.

**6 Financial Results 2009/10**

(Pages 7 - 12)

**7 Annual Return & Annual Governance Statement**

(Pages 13 - 16)

**8 Additional Contribution - Hambleton DC**

(Pages 17 - 24)

**9 Partnership Risk Register**

(Pages 25 - 32)

**10 Head of Partnership Report**

(Pages 33 - 36)

11 **Any other business that the Chairman decides is urgent**

12 **Dates of Next Meetings**

Dates of Next Meetings:

Chaired by:

- Friday 3<sup>rd</sup> Dec 2010
- Friday 25<sup>th</sup> March 2011(reserved date)
- Friday 24<sup>th</sup> June 2011

## North Yorkshire Audit Partnership

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Held at Ryedale House, Malton  
on Friday 26 March 2010

### Present

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Councillor P Wilkinson (in the Chair)	- Hambleton District Council
Councillor B Phillips	- Hambleton District Council
Councillor M Jordan	- Selby District Council
Councillor C R Wainwright	- Ryedale District Council
Councillor R Alderson	- Richmondshire District Council
Councillor M Ward	- Scarborough Borough Council

### In Attendance

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Mrs L Carter, P Cresswell (Ryedale District Council), N Edwards (Scarborough Borough Council), D Simpson (Hambleton & Richmondshire District Councils), J Ingham (NYAP Manager), Mrs M Burchell (Ryedale District Council Financial Services)

### Minutes

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#### 17 Apologies for absence

An apology for absence was received from Councillor Jane Kenyon.

#### 18 Minutes of the last meeting of the North Yorkshire Audit Partnership held on 4 December 2009

The minutes of the last meeting of the North Yorkshire Audit Partnership held on 4 December 2009 were presented.

#### Resolved

That the minutes of the last meeting of the North Yorkshire Audit Partnership held on 4 December 2009 be approved and signed by the Chairman as a correct record.

#### 19 Urgent Business

The Chairman reported that there were no items of urgent business to be considered.

#### 20 Declarations of Interest

There were no declarations of interest.

21 **2008/2009 External Auditors' Report**

The Head of Partnership circulated a report, the purpose of which was to inform Members of the External Auditors' report for the financial year 2008/2009 and to note the contents and any actions required arising from the report.

The Partnership had been formed under the provisions of the 1972 Local Government Act, and was a joint committee delivering internal audit services to the Partner Councils. Therefore, as a 'specified body' it had a duty to prepare an independent set of accounts separate to the Partner Councils. It was further required that the accounts be subject to external audit. The external auditors' report gave a clear opinion on the accounts, details of which were outlined in the Head of Partnership's report.

**Resolved**

- (a) That the External Auditors' report and comments for the period to 31 March 2009 be noted
- (b) That the actions proposed by the Head of Partnership be approved.

22 **Staffing and Redundancy Report**

The Head of Partnership circulated a report, which advised Members of the potential effect arising from the application of the Ryedale District Council One-11 programme offering voluntary redundancy to Partnership staff.

Ryedale's Corporate Director (s151) reported for information on the One-11 programme and the process adopted with regard to seeking expressions of interest in respect of early retirement/voluntary redundancy. It was reported that six Partnership staff had applied. The report outlined the circumstances and financial implications with regard to an application submitted by the holder of post AUD104 and sought Members views on the action to be taken.

**Resolved**

That the application for voluntary redundancy by the holder of post no. AUD104 be supported.

23 **Additional Contribution - Hambleton District Council**

The Head of Partnership circulated a report the purpose of which was to enable the Board to determine whether to exercise clause 3.7 of the

Partnership Agreement in accordance with clause 3.9 thereof relating to additional contributions from Partners for transferred staff.

**Resolved**

That consideration of the report be deferred to the June 2010 meeting of the Partnership Board.

24 **2011 - NYAP - Veritau - An Outline Business Case**

The above item was deferred to the June 2010 meeting of the Partnership Board.

25 **Interim Financial Results Quarter 3 Year 2009/10**

The Head of Partnership circulated a report, which advised Members of the financial results for the year 2009/2010 to 31 December 2009 and the outlook for the remainder of the financial year.

The accounts appended to the report showed that for the period to 31 December 2009 there was a surplus of £30,600. Support services had been charged at the pro-rata budgeted amount so that the expenditure figure was broadly representative. The principal reason for the surplus was that the actual expenditure for payroll costs, including agency staff, was lower than the profiled budget. Fee income was in line with profile at 96.5% of the profiled estimate. The Head of Partnership reported that the fee to the Partner Councils remained lower than the benchmarked family group. The savings, whilst modest, continued to demonstrate that the Partnership represented a 'best value' service. The final position for the year was to be reported to the June 2010 meeting.

**Resolved**

That the Financial Report for the period to 31 December 2009 be received.

26 **Partnership Risk Register**

The Head of Partnership circulated a report in connection with the arrangements for risk management within the Partnership.

The report set out the risk management framework and the risk register, a copy of which was appended to the report, which identified the principal risks and any steps that were being taken to manage those risks.

Councillor Jordan reported that Selby District Council was moving offices in the near future. It was understood that the authority was to adopt a system of 'hot-desking' for members of staff. Councillor Jordan expressed concern regarding the security of electronic information and expressed the opinion that the situation should be investigated.

### **Resolved**

That the Risk Management Framework and the Risk Register as submitted be endorsed.

## **27 Head of Partnership Report**

The Head of Partnership circulated a report in connection with the activities and performance of the Audit Partnership in 2009/2010.

The report dealt with the following issues:

- Staffing
- Operational
- Partnership Issues
- Risk Management
- Audit Planning
- External work

The Head of Partnership reported that in general he was satisfied with the progress of the Partnership. With the continued effort and application of the team it was believed that 2009/2010 would be a successful year.

The Partnership Board requested that letters be sent from the Chairman of the Partnership congratulating individual members of staff on achieving their qualifications and that all members of staff be congratulated on the low levels of sickness absence.

### **Resolved**

That the report be received and that letters be sent from the Chairman to the individual members of staff congratulating them on achieving their qualifications and that all members of staff be congratulated on the low levels of sickness absence.

## **28 Valedictory**

The Head of Partnership reported that this was the last meeting to be attended by the Chairman, Councillor Wilkinson, and thanked him for his hard work and support in the past.

29 **Dates of Next Meetings**

Members were reminded that the next meetings of the Partnership were to take place as follows:

- Friday 25 June 2010
- Friday 3 December 2010 (to be confirmed)

**The meeting closed at 3.00 pm**

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

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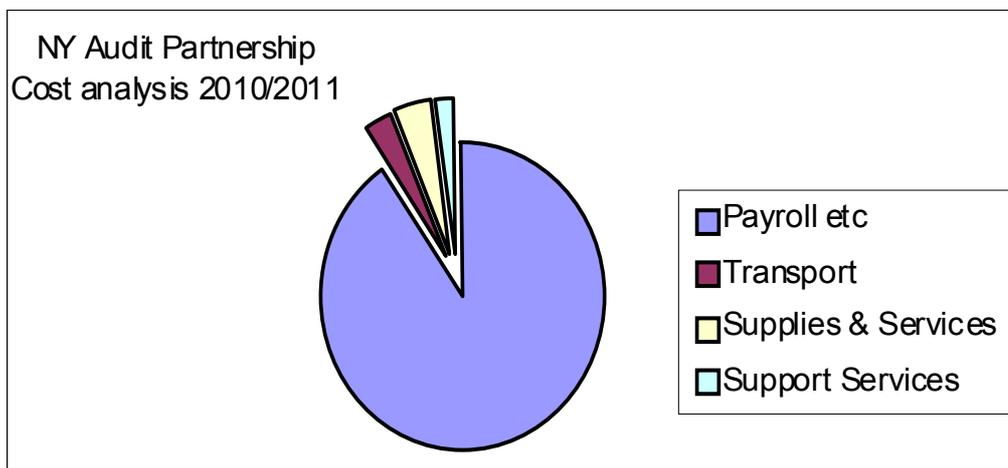
Financial results 2009/10; report of  
the Audit Manager

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

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

Annual Return 2009-10  
Report of the Head of Partnership

Introduction

1. The North Yorkshire Audit Partnership was created and took effect from 1<sup>st</sup> 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 2003 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 were updated by the issue of SI 2006/No 54 which 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 30<sup>th</sup> 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 is 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 £900 for internal audit is around our budgeted audit fee of £2,500.

Recommendations

21. That the report be received, noted and the relevant sections of the Annual Return be completed.
22. That the action of the Head of the Partnership to secure appropriate internal audit arrangements to expedite the completion of the return be approved.
23. That the Partnership Board formally approves and signs the return.

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

Partnership Risk Management;  
report of the Head of Partnership

Purpose of the report:

This report is to advise members of the arrangements for Risk Management within the Partnership.

- 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.
- 2) There is a requirement from the Audit Commission, as we are classed as a 'smaller body' to complete an Annual Return, and this return has to be discussed by the Board with the governance component signed off by the Board. That governance component includes an expectation that the Partnership has its own Risk Management process. The Partnership also prepares a separate AGS which is a formal document extending the governance component of the Annual Return.
- 3) In the Annual Return there is also an Internal Audit component, which will be completed by our internal auditors (Veritau). Part of the work done by the internal auditors is to examine the Partnership's risk management arrangements, and therefore we need to maintain some formal mechanism to record and monitor our perceived risks.
- 4) This report sets out the risk management framework, and the risk register (attached as appendix 1), which identifies our principal risks and any steps that are being taken to manage those risks.
- 5) As a framework we have adopted the format that is broadly consistent with the style used for Risk Management across the councils. In essence the process is to identify material risks to the achievement of the partnerships objectives, what the consequences would be if the risk materialises, and what steps, or mitigation, is in place now, and planned to reduce that risk, either the likelihood, or the impact, or both.

- 6) Risk is usually measured on a scale to identify the likelihood of the risk occurring and the impact to the organisation if it does so. The matrix included shows the standard 5 x 5 table, and the associated descriptors.

Impact	5					
	4					
	3					
	2					
	1					
		A	B	C	D	E
	Likelihood					

Likelihood:  
 A = Very Low  
 B = Not Likely  
 C = Likely  
 D = Very Likely  
 E = Almost Certain

Impact:  
 1 = Low  
 2 = Minor  
 3 = Medium  
 4 = Major  
 5 = Disaster

- 7) It is difficult to associate values with the impact scale, but given that the total turnover of the Partnership is around £500,000 that gives some reference to the scales.
- 8) The risk register has been drawn up and moderated subsequent to a series of discussions with the Audit Managers to ascertain their view of the risks that have been identified.
- 9) At the end of the register is a copy of the scoring matrix showing where each risk is placed in the table.

Recommendation

It is recommended

- 1) That the Risk Management framework and risk register be approved.

## Risk Register

No.	Risk	Consequences	Current Risk Score (Former scores)	Mitigation <i>(Italicised items are actions to undertake.)</i>	Target Score/ Action Plan	By whom
1	Failure to recruit and retain appropriate staff. (Not making the best of staff)	<ul style="list-style-type: none"> <li>• Turnover of staff may result in unprofessional service</li> <li>• Low staff morale</li> <li>• Failure to meet obligations or objectives/targets</li> <li>• Partnership (Council) not recognised as a good employer</li> <li>• Qualified and experienced staff do not wish to work for NYAP</li> </ul>	<p style="text-align: center;"><b>A2</b> <b>(B3)</b> <b>(C3)</b></p>	<ul style="list-style-type: none"> <li>• Remuneration package need to be in line with market trends</li> <li>• Flexible HR policies including the promotion of work/life balance</li> <li>• Regular team meetings, and systems to inform the staff.</li> <li>• Performance Management used to identify training and development needs to further develop staff. ✓</li> <li>• Ensure that there is sufficient staff at each level, taking cognisance of the changes arising from the revised structure of the Partnership. ✓</li> <li>• Prepare for known retirements, and probable departures in 2010/2011. ✓</li> </ul>	<p style="text-align: center;"><b>A2</b></p>	<p style="text-align: center;">PMB; HoP; Dir</p>
2	Risk of loss of <ul style="list-style-type: none"> <li>• Head of Partnership;</li> <li>• Audit Managers, &amp;</li> <li>• key staff, either permanently or long term absence.</li> </ul>	<ul style="list-style-type: none"> <li>• Head of Partnership not professionally qualified. (Cipfa CoP)</li> <li>• Loss of key component in service (e.g. ICT Audit, access control at SBC)</li> </ul>	<p style="text-align: center;"><b>B2</b> <b>(B3)</b> <b>(B3)</b> <b>(C3)</b></p>	<ul style="list-style-type: none"> <li>• Training programme for all staff.</li> <li>• Succession planning [HoP will be 60 in June 2011] ~ options now under consideration ✓</li> <li>• <i>Contingency planning</i></li> </ul>	<p style="text-align: center;"><b>B2</b></p>	<p style="text-align: center;">PMB; Dir; HoP</p>

No.	Risk	Consequences	Current Risk Score (Former scores)	Mitigation <i>(Italicised items are actions to undertake.)</i>	Target Score/ Action Plan	By whom
4	<p>Health &amp; Safety legislation and issues associated with diverse sites and staff.</p> <p>Small size may lead to demand for lone working.</p>	<ul style="list-style-type: none"> <li>Injury,</li> <li>vehicle accident or breakdown etc</li> <li>Staff 'stuck' without adequate support.</li> <li>Possible low staff morale</li> <li>Failure to meet statutory obligations.</li> </ul>	<p><b>B3</b> <b>(B3)</b> <b>(B3)</b></p>	<ul style="list-style-type: none"> <li>Take account of staff working arrangements and review &amp; monitor H&amp;S aspects for all sites ✓</li> <li>Ensure staff are aware of personal responsibility, and have sufficient awareness training. ✓</li> <li>Ensure staff have access to mobile phones ✓</li> <li>Minimise travelling where practicable. ~ Difficult with shared service across several councils, action is to minimise unnecessary travel. ✓</li> <li><i>Use video conferencing where available and possible. ~ Still in its infancy.</i></li> </ul>	<p><b>A3</b></p>	<p>HoP AM AM  AM</p>
5	<p>Failure to achieve satisfactory completion rates for audit plans.</p>	<ul style="list-style-type: none"> <li>Poor image at partner councils</li> <li>Risk of adverse comment from external auditors to partner councils.</li> </ul>	<p><b>B2</b> <b>(B2)</b></p>	<ul style="list-style-type: none"> <li>Relevant training is made available to all staff</li> <li>Briefings for staff on progress against plans</li> <li>Ensure that requests for supplementary work are taken into audit planning and that the core business is not reduced.</li> <li>Need to monitor and manage the increasing demands from the partner council's external auditors. ✓ ~ established good links with the external auditors.</li> </ul>	<p><b>A1</b></p>	<p>HoP   AM</p>
8	<p>Increased joint working by partner councils leads to reduced audit plans. N.B. Changes in policy too, move to Commissioning ethos, which may also lead to</p>	<ul style="list-style-type: none"> <li>Risk of surplus staff, and so redundancy.</li> <li>Most able staff may leave.</li> </ul>	<p><b>B2</b> <b>(C3)</b> <b>(C3)</b></p>	<ul style="list-style-type: none"> <li>Keep staff informed.</li> <li>Monitor demand, and ensure natural wastage is used to avoid redundancy. ✓ Workforce planning is intrinsic to the operation, especially with a small team.</li> <li><i>Monitor the national and local situation.</i></li> <li><i>Ensure that IA are active in the Partner Councils debate on changes in service provision and delivery.</i></li> </ul>	<p><b>B2</b></p>	<p>Dir; HoP</p>

No.	Risk	Consequences	Current Risk Score (Former scores)	Mitigation ( <i>Italicised items are actions to undertake.</i> )	Target Score/ Action Plan	By whom
	reduced audit plans. Change in Government and the perceived need to cut LG spend will also change the demand for IA.					
9	Not maintaining development of risk management may lead to the role being allocated elsewhere.	<ul style="list-style-type: none"> <li>Reduced demand for IA services</li> <li>Reduction in staff.</li> </ul>	<b>B2 (C3)</b>	<ul style="list-style-type: none"> <li>Ensure that Risk Management is seen as a natural aspect of the Partnership's portfolio. ✓</li> <li>Take an active role in each council. [Of the Partners, SBC is most likely to move the work elsewhere.] ✓</li> <li>Ensure continuing involvement with those councils that are moving to proprietary software. ✓</li> </ul>	<b>B2</b>	HoP AM
10	Confidentiality of work may be compromised by the use of open plan offices	<ul style="list-style-type: none"> <li>Relevant at Ryedale &amp; Richmondshire only</li> <li>Loss of information</li> <li>Reputation as secure confidant damaged</li> </ul>	<b>A2 (A2)</b>	<ul style="list-style-type: none"> <li>Ensure staff are aware of issue and that where necessary confidential work is undertaken in suitable locations.</li> <li><i>Discuss with Selby Council client this issue in respect of their forthcoming move into new open plan premise.</i></li> </ul>	<b>A2</b>	HoP AM
11	Loss of ICT systems, and data from USB 'sticks'	<ul style="list-style-type: none"> <li>Loss of information and work leading to audit reports.</li> <li>Exposure of confidential and sensitive information.</li> </ul>	<b>A2 (A2)</b>	<ul style="list-style-type: none"> <li>Systems are all linked into the systems of the 'host' council, so reliance is on their systems for back up and recovery.</li> <li>These are subject to audit by the ICT auditor.</li> <li>Staff need to be aware of risks associated with Data storage media (USB sticks) and vigilant that they are protected. ✓ ~ Encrypted 'sticks' are now available and in use.</li> </ul>	<b>A2</b>	HoP  AM Team

No.	Risk	Consequences	Current Risk Score (Former scores)	Mitigation <i>(Italicised items are actions to undertake.)</i>	Target Score/ Action Plan	By whom
12	Risk that the increased size may lead to a bid from the private sector for the partnership.	<ul style="list-style-type: none"> <li>Loss of direct control by the Partner Councils, as it will move to a contracting arrangement (&amp; therefore subject to EU procurement rules).</li> </ul>	<b>A2 (B3) (C4)</b>	<ul style="list-style-type: none"> <li>Consider future possible option of joining with Veritau (the City/County Audit Partnership) [N.B. However this may make an even more attractive package].✓ This is now being considered for the Partnership.</li> <li>Ensure 'decision makers' are kept informed. ✓</li> <li>Ensure good quality IA service ✓</li> <li>The potential merger with Veritau, if concluded will move this risk into the Veritau risk register. Low risk, given current business strategy and philosophical approach of Veritau.</li> </ul>	<b>A1 A3</b>	Dir HoP  AM
13	Risk that the Board will not agree a 'proper' charging mechanism and charge out rate.	<ul style="list-style-type: none"> <li>Impossible to meet so imposed efficiency and performance</li> <li>Therefore very unlikely to meet financial targets.</li> <li>Adversely affects motivation of Audit Managers, and staff.</li> <li>Arrangement almost certain to cause a deficit in the accounts, which could lead to inter-partner tension.</li> </ul>	<b>D4 (D4)</b>	<ul style="list-style-type: none"> <li><i>Set a proper and fair rate which will deliver reasonable outcomes, both performance and financial. ~ The argument has not been won.</i></li> <li><i>Directors need to understand and accept (and the PMB approve) that it is not realistically possible to increase productivity and so performance any further. Secondly that as the partnership's cost base is virtually all payroll, any changes in pay have a direct linear relationship to the cost base.</i></li> </ul>	<b>B2</b>	PMB; Dir HoP
14	Risk that the Partnership will make a significant loss through either an inadequate charge out rate or	<ul style="list-style-type: none"> <li>Deficit will reduce Partnership reserves</li> <li>Poor image within the partner Councils</li> <li>Reduced morale of staff who perceive the</li> </ul>	<b>B2 (B3)</b>	<ul style="list-style-type: none"> <li><i>Ensure reserves are considered when the budget and charge out rate is set.</i></li> <li>Monitor service performance ✓</li> <li>Ensure any overruns are either managed or that clients agree to additional fees (or other audits deleted)✓</li> </ul>	<b>A2</b>	HoP PMB Dir

No.	Risk	Consequences	Current Risk Score (Former scores)	Mitigation <i>(Italicised items are actions to undertake.)</i>	Target Score/ Action Plan	By whom
	through poor performance	partnership as "their" business.				
		•		•		

Key

- PMB Partnership Management Board
- Dir Directors (S 151 Officers)
- HoP Head of Partnership
- AM Audit Managers
- Team all staff

Current risk scores mapped to scoring matrix

Impact:

- 1 = Low
- 2 = Minor
- 3 = Medium
- 4 = Major
- 5 = Disaster

Likelihood:

- A = Very Low
- B = Not Likely
- C = Likely
- D = Very Likely
- E = Almost Certain

Impact	5					
	4				13	
	3	4,				
	2	1,10, 11,12	2,5,8, 9,14			
	1					
		A	B	C	D	E
Likelihood						

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Partnership Management Board  
25<sup>th</sup> June 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 2009/10.

### Introduction

This report covers the year 2009/10. The Management Board meeting in March 2010 received a report on activities for the majority of 2009/10. Consequently in certain sections of the report there is not much to report.

### Staffing

Paul Jenkinson, who was our auditor in Richmondshire, has now retired after 40+ years in Local Government. At the moment we are using our freelance auditor to cover the site pending filling the post, which will then be an auditor who will cover both Hambleton & Richmondshire Councils.

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*
- *IIA Seminars*
- *Data management*
- *BGF/FAN best practice workshops*
- *ICT and Chief Auditor groups*

Attendance levels have fallen to 95.6%, as sickness levels continue to be above average at 4.4% overall. This includes data for one individual, who has had some 69 days absence in 2009/10. If that one is excluded then the rate rises to 99.0% which is an extremely good level, regretfully still above the comparable figure for 2008/09 of 99.7%.

Most absences are less than or equal to 3 days, except for the one member of staff who has had 69 days absence the majority of which was medically certified. This issue has now been resolved as the individual applied for, has been offered, and has accepted voluntary redundancy.

## Operational

This year we have been reasonably on target in the achievement of the planned audits. Across the five councils the average percentage completion of the audit plan days is 95%

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%.

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

- Target 2009/2010 less than or equal to 100%
- The target percentage has not just been achieved in this year to date.
- The rate are varied for a variety of reasons, however, the poorest site is Ryedale, and this is primarily due to: - difficulties with accessing staff for a couple of audits, which has led to the jobs overrunning, and we also have extended one piece to reflect its complexity, and will be asking the client if they are willing to meet some, if not all of the additional cost. One piece of work took longer than anticipated.
- However, the commitment of the team continues, and their work and that of the interim agency staff used during the year continues to provide good audit reports.

During the year we have undertaken a higher than usual 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: -

- A member standards complaint.
- Investigations into budget overspending.
- Ghost employees.
- Leakage of confidential information.
- Senior and middle staff abuse of position.
- Planning issues.
- 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 staff in Selby, and are rolling this out to staff at the other Partner Councils. This is linked to the UoR assessments and expectations from the Audit Commission in their Annual Return required from Councils on their Counter Fraud activities.

Annual reports have been prepared for all the Partner Councils Audit Committees, and this year we have included a specific section titled ~ Where did Internal Audit “add value” in 2009/10? I considered that this is something that we, as auditors, tend to either not think about, or take for granted as being implicit in what we do. However, there have been a couple of occasions when I am asked “where you add value?” so I thought that it would be useful to include the section. It has made us think about what we do and to instil the concept and the challenge into the team, asking themselves that very question about all our work. What was interesting was that when drafting the section in the annual reports that a significant, practically all of our work does ‘add value’, the trick is to see and articulate how, when much is intangible.

#### Partnership issues

The principal issue at the moment is the consideration and evaluation of the potential merger of NYAP with Veritau. This recognises the opportunity for merging the two partnerships to deliver improved audit services to all the councils involved, some very preliminary 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.

#### *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, the procurement of proprietary Performance Management software has been approved which will; almost certainly, include Risk management as a module. We are looking to be involved as risk professional in the implementation of the systems at these councils.

