BUSINESS RISK MANAGEMENT LTD

How to audit partnerships

The increased importance of partnerships

- The growth of partnerships
- The need to manage the arrangements effectively
- The need to recognise risks are often increased not reduced by establishing a partnership
- When is a partnership actually a contract
- The different types of arrangement
  - Collaboration
  - Outsourcing
  - Joint outsourcing
  - In sourcing
  - Shared Services
- Surprises and the need to avoid them

Exercise 1 – what are the key concerns with your partnerships?

Auditing Partnership Management

- Ensuring that there is a risk strategy for partnership working
- The need to identify and schedule key partnerships
- What protocol is in place?
- What is the review mechanism?
- Is it effective?
- What frequency is there for review by management?
- What mechanism is there to guide officers and members in attending partnership meetings
- Does anyone know the partnerships you are involved in and how much money and other resources are invested in them
- Has each partnership been risk reviewed

Exercise 2 – The challenges of auditing partnership strategy

Auditing a partnership during the development phase

- Are you considering partnering for the right reason? – you cannot pass a problem to someone else
- Are there other options?
- What do you know about the prospective partner or partners?

- Will you be leading or following?
- What are the objectives?
- Are these shared with the other partners?
- How can you ensure that your organisations interests will be best served?
- Who will be representing your organisation?
- Will they have sufficient time to spend?
- Have similar partnerships been successful?
- How can the partnership success be measured?

Exercise 3 – The challenges of auditing partnerships under development

Auditing a current partnership

- Need to recognise the different risks in these relationships
- Which risks are outside your control?
- What comfort do you need?
- How much risk are you willing to take?
- Who carries the can?

Case Study – what can go wrong in partnerships

- Rationale
  - Why does the partnership exist?
  - What are the agreed aims?
  - Where are these aims published?
- Added Value
  - How does the partnership add value?
  - How is this demonstrated to the public?
  - How do you know whether funds are being well spent?
- Decision making
  - How are decisions made?
  - How are they recorded?
  - Who makes sure they are acted on?
  - Who scrutinises them?
  - To whom are they reported?
- Performance
  - What are the targets?
  - How do you know which you are meeting (and not meeting)
  - Who manages and reports progress?
- Finance
  - Who provides the money?
  - Is the funding guaranteed?
  - Who decides how to spend it?
  - Can the money be reallocated?
  - What are the financial reporting arrangements?
- Problems
  - How do you know when things go wrong?
  - Who can take action if they do?
  - How are conflicts of interest resolved?

- **Termination**
  - **What are the arrangements when the partnership ends?**
  - **What are the implications if you decide no longer to be involved?**
  - **How will resources be allocated back to the partners?**

Exercise 4 – Select two partnerships – one you regard as successful and another less so.Complete the checklist and try to identify the main differences

The way forward

- **Ensuring clear roles and responsibilities for risk management within the partnership**
- **Assessing categories of partnership risks**
- **Overall responsibility for partnerships – the Partnership Officer**
- **Reviewing Annual statements**
- **Learning from others – avoiding re-inventing the wheel**
- **Consideration of longer term funding opportunities via partnerships**
- **The need to recognise when partnerships have outlived their usefulness**
- **Steps to success**
- **Respecting all parties right to choose**
- **Ensuring procurement processes for partnerships are risk enabled**
- **Use of a partnership model**