

Your Ref.
Our Ref
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Date 16 May 2019

Merran McRae - Chief Executive

Town Hall
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Typetalk calls welcome

To: Members of the YPO Joint Committee Audit and Scrutiny Sub-Committee

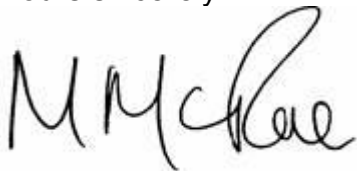
Dear Member

YPO AUDIT & SCRUTINY SUB-COMMITTEE – WEDNESDAY, 29 MAY 2019

It is with pleasure that I write to invite you to attend a meeting of the YPO Joint Committee Audit and Scrutiny Sub-Committee which is to be held at **10:30 am on Wednesday, 29 May 2019 in the YPO Headquarters** to consider the items set out in the agenda attached.

Please note a training session entitled 'Financial Management Training' will be held prior to the meeting at 10am.

Yours sincerely



Merran McRae
Secretary to the Joint Committee

As a courtesy to colleagues will you please turn off your mobile phones and pagers prior to the start of the meeting.

YORKSHIRE PURCHASING ORGANISATION AUDIT & SCRUTINY SUB-COMMITTEE

Wednesday, 29 May 2019

AGENDA

1. Chair's Introduction and Welcome.
2. Acceptance of Apologies for Absence.
3. Members' Declaration of Interest.
4. To note any items which the Chair has agreed to add to the agenda on the grounds of urgency.
5. To approve, as a correct record, the Minutes of the Meeting of the Audit & Scrutiny Sub-Committee held on 15th February 2019. (Pages 1 - 4)
6. External Audit Report - To follow.
7. Audited Statement of Accounts - To follow.
8. Appointment of Auditors. (Pages 5 - 6)
9. Audit & Scrutiny Sub Committee Terms of Reference & Work Programme. (Pages 7 - 21)
10. Governance Review. (Pages 23 - 24)
11. Draft Annual Internal Audit Plan 2019. (Pages 25 - 32)
12. Exclusion of the Public and Press
“That the public and press be excluded from the meeting during consideration of agenda items 13 and 14 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended”.

IN PRIVATE

13. IT Programme Update. (Pages 33 - 36)
14. Property Risk Report. (Pages 37 - 38)

YORKSHIRE PURCHASING ORGANISATION**AUDIT & SCRUTINY SUB-COMMITTEE****FRIDAY, 15TH FEBRUARY 2019****Present:** The Chair: Councillor Warburton (Bradford)

Councillors: Warburton (Bradford), Barnard (Barnsley), Scullion (Calderdale), Cuthbertson (York), Mistry (Bolton), Cole (Doncaster), Vjestica (Rotherham), Nightingale (Doncaster), Dadd (North Yorkshire)

79.	CHAIR'S INTRODUCTION & WELCOME
	Councillor Warburton welcomed all parties to the meeting.
80.	ACCEPTANCE OF APOLOGIES FOR ABSENCE
	Apologies for absence submitted prior to the meeting were accepted on behalf of Councillors Carter (Calderdale), Rehman (Wigan), Graham (Wakefield), Wiseman (St Helens).
81.	MEMBERS DECLARATION OF INTEREST
	No declarations of interest were made.
82.	URGENT ITEMS
	Managing Director (Simon Hill) proposed a date change to the next meeting to accommodate YPO's all staff conference. It was agreed that the new date would be circulated electronically and any issues with the date would be raised with the Business Services Manager (Kayley Sykes).
83.	PREVIOUS MINUTES (AUDIT & SCRUTINY SUB COMMITTEE)
	The minutes of the YPO Audit & Scrutiny Sub-Committee held on 2 nd November 2019 were approved by all.
84.	ANNUAL GOVERNANCE STATEMENT
	<p>Consideration was given to a report of the Executive Director (Paul Smith), which provided Members with the details of the Annual Governance Statement.</p> <p>Members welcomed the report and thanked the Board of Directors for the pleasing report.</p> <p>Resolved - (1) That the Annual Governance Statement be approved.</p>
85.	PRE-AUDIT STATEMENT OF ACCOUNTS
	<p>Consideration was given to the report of the Head of Finance which provided Members with the details of the Pre-Audit Statement of Accounts 2018, attached as Appendix 1 and to inform Members of the public notice of the commencement of the audit and public inspection period.</p> <p>The report will be submitted to the next meeting of the YPO Management</p>

	<p>Committee for the information to be noted by members.</p> <p>Chair offered thanks to everyone that has been involved in preparing the pre-audit statement of accounts</p> <p>Resolved – (1) That the Pre - Audit Statement of Accounts 2018 are agreed to be submitted to External Audit and the public inspection notice to be issued.</p>
<p>86.</p>	<p>INTERNAL AUDIT ANNUAL REPORT</p>
	<p>Consideration was given to the report of the S151 Officer which provided Members with the Internal Audit Annual Report 2018 which details the work undertaken during January – December 2018.</p> <p>Resolved – (1) That the Internal Audit Annual Report 2018 be noted.</p>
<p>87.</p>	<p>INTERNAL AUDIT PLAN UPDATE</p>
	<p>Consideration was given to a report which detailed the Internal Audit's progress and work since the last Audit and Scrutiny Sub Committee.</p> <p>Resolved – (1) That the report be noted.</p>
<p>88.</p>	<p>EXTERNAL AUDIT PLAN</p>
	<p>Rashpal Khangura (KPMG) shared that the External Audit Plan from KPMG.</p> <p>Matthew Moore (KPMG) provided a verbal overview of the plan which sets out the proposed approach to audit the financial statements of YPO for the year ending 31 December 2018.</p> <p>The plan also outlines to Members the details of the timeline of the audit and the agreement of audit fees.</p> <p>Resolved – (1) That the report be noted.</p>
<p>89.</p>	<p>GIFTS & HOSPITALITY REGISTER</p>
	<p>Consideration was given to the Gifts and Hospitality report presented by the Managing Director (Simon Hill).</p> <p>The Managing Director explained that as part of its Anti-Fraud and Bribery Framework, YPO maintains a Gifts and Hospitality register as part of the policy which employees must follow.</p> <p>Members were happy with the content of the Gifts and Hospitality Register.</p> <p>Resolved – (1) That the report be noted.</p>
<p>90.</p>	<p>FINANCIAL PROCEDURE RULES AND STANDING ORDERS RELATING TO CONTRACTS</p>
	<p>The Executive Director (Paul Smith) presented the Financial Procedure Rules & Standing Orders Relating to Contracts.</p> <p>The Financial Procedure Rules & Standing Orders Relating to Contracts have been reviewed to ensure compliance with the current law. Members were advised that no changes were required at this time.</p>

	Resolved – (1) That the Standing Orders for Contracts and Financial Procedure Rules be noted.
91.	INTERNAL AUDIT ACTION UPDATE
	<p>Consideration was given to a report which provided an update as to the progress made towards actions resulting from internal audits completed at YPO, as part of the Annual Audit Plan by Wakefield Council's Internal Audit.</p> <p>Resolved – (1) That the progress made in implementing internal audit actions be noted.</p>
92.	EXCLUSION OF THE PUBLIC AND PRESS
	Resolved – That the public and press be excluded from the meeting during consideration of agenda items 15 to 19 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended.
93.	IT PROGRAMME UPDATE (LINK) (EXEMPT – PARAGRAPH 3)
	<p>Consideration was given to the report of the Executive Director (Paul Smith) which provided Members with an update on the current project dossier.</p> <p>The report summarised the latest progress with the IT Programme.</p> <p>Members raised a number of questions in relation to timescales and were satisfied with the responses given by Officers.</p> <p>Resolved – (1) That the report be noted.</p>
94.	RISK REGISTERS (EXEMPT – PARAGRAPH 3)
	<p>A report of the Executive Director (Paul Smith) provided details of the Strategic Risk Register for YPO.</p> <p>The Strategic Risk Register explains to Members the risks faced by the organisation including assessment on the level of risk, the controls in place, any additional controls and risk owners.</p> <p>Resolved – (1) That the Strategic Risk Registers for the Organisation be noted.</p>
95.	STOCK ADJUSTMENTS (EXEMPT – PARAGRAPH 3)
	<p>Consideration was given to a report that outlines the stock adjustments incurred during 2018.</p> <p>Members raised a number of questions and detailed responses from YPO Officers were accepted.</p> <p>Councillor Dadd (North Yorkshire) shared that it would be good to see where YPO sit in the market in relation to benchmarking for the right offs with perishables.</p>

	<p>Resolved – (1) That the report be noted.</p>
96.	OPTIONS FOR AUTOMATIC SPRINKLERS (EXEMPT – PARAGRAPH 3)
	<p>The Audit and Scrutiny Sub-Committee discussed the report of the Executive Director (Julie Wray) in relation to the options of automatic sprinklers.</p> <p>Members held a detailed discussion in relation to automatic sprinklers and long-term viability.</p> <p>Resolved – (1) That decision be put on hold pending a future report in November in relation to YPO’s property strategy.</p>
97.	DATE AND TIME OF NEXT MEETING
	<p>Resolved – (1) That the next meeting of the YPO Audit & Scrutiny Sub Committee is proposed to be held on Wednesday 29th May 2019, 10.30am.</p>



YPO
AUDIT & SCRUTINY SUB-COMMITTEE
TO BE HELD ON
29TH MAY 2019

TITLE: APPOINTMENT OF EXTERNAL AUDITOR

REPORT OF: HEAD OF FINANCE

1. PURPOSE OF REPORT

1.1 The purpose of this report is to recommend to the Audit & Scrutiny Sub Committee a decision as a result of a recent tender exercise that was undertaken to appoint an external audit service for the Joint Committee.

2. BACKGROUND INFORMATION

2.1 The previous contractual arrangement in respect of the Joint Committee comes to an end once the Statement of Accounts are approved for the 2018 financial year.

2.2 A recent tender exercise took place with the objective of securing external audit services for the Joint Committee for financial years 2019 to 2023. Two bids were received.

2.3 The result of the tender exercise, following a review of both cost and quality, proposes that Mazars should be appointed as the contracted auditor for 2019 to 2023. The financial implications are shown below.

3. STRATEGIC IMPLICATIONS

3.1 There is no longer a statutory requirement for YPO, as a joint committee to have an external audit, but the Management Committee approved the recommendation of the Section 151 officer that the process of an external audit would continue.

4. FINANCIAL IMPLICATIONS

4.1 The tender prices of the proposed contractor are shown below;-

Year	Cost £
2019	23,000
2020	23,000
2021	23,000
2022	23,460
2023	23,929
Total	116,389

4.2 This represents an estimated saving of around £9K over the 5 years based on current annual fees and expected price increases over that period.

5. LEGAL IMPLICATIONS

5.1 There are no legal implications arising from this report.

6. EQUALITY IMPLICATIONS

6.1 There is no impact on the equality agenda.

7. RISK IMPLICATIONS

7.1 There are no additional risks arising from this report.

8. RECOMMENDATION

8.1 It is recommended that the members approve the proposed appointment of Mazars as our external auditors for the next 5 years.

SERVICE DIRECTOR: PAUL SMITH, DEPUTY MANAGING DIRECTOR

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REPORT TO
AUDIT & SCRUTINY SUB-COMMITTEE
TO BE HELD ON
29TH MAY 2019

TITLE: 2019/20 WORK PROGRAMME

REPORT OF: MANAGING DIRECTOR

1. PURPOSE OF REPORT

1.1 To provide members with an overview of the work scheduled for the 2019/20 committee cycle.

2. BACKGROUND INFORMATION

2.1 The Audit and Scrutiny Sub-Committee has a membership of sixteen members drawn from the Management Committee who meet three times during the year. Its primary purpose is to undertake the duties of 'those charged with governance' under delegation from the Management Committee and to scrutinise strategies and actions of the YPO Management Team and provide feedback, comment and recommendations.

2.2 The Audit and Scrutiny Sub-Committee has delegated powers to sign off the annual financial statements and annual governance report on behalf of the Management Committee and ensure it has sufficient information and knowledge to undertake those duties.

3 TERMS OF REFERENCE

3.1 The terms of reference have been reviewed and are attached for Member's consideration.

4 PRINCIPAL AGENDA ITEMS

4.1 The focus of the principal agenda items for the Audit and Scrutiny Sub-Committee are similar to previous years and are aimed at providing the Sub-Committee sufficient information to undertake the role of 'those charged with governance'.

4.2 The proposed principal agenda items along with a meeting schedule and training plan are attached as appendices.

5 RECOMMENDATION

5.1 Members are asked to agree this report for submission to the AGM in the name of the Chair of the Audit and Scrutiny Sub-Committee.

REPORT AUTHOR: SIMON HILL, MANAGING DIRECTOR

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APPENDICIES:

Appendix 1 - Terms of Reference 2019/20
Appendix 2 - Principal Agenda Items
Appendix 3 - Meeting Schedule
Appendix 4 - Training Schedule

Yorkshire Purchasing Organisation

Management Committee Terms of Reference 2019/20

Number of Members

Twenty Six Councillors – Two from each Member Authority

Quorum

Member representation from at least five Member Authorities.

Substitutes

Two named substitutes from each Member Authority.

Frequency of Meetings

Three times per annum.

Suggested duration: Max 2 hours (10:30am – 12:30pm)

Remit

1. To approve and keep under review a long term plan setting out the strategic direction of YPO.
2. To consider, approve and keep under review Standing Orders, Financial Procedure Rules and the Officer Delegation Scheme prior to subsequent approval by Member Authorities, and to carry out such actions as are required by these rules.
3. To provide leadership for Risk Management across YPO and ensure Risk Management is used as a strategic and operational tool.
4. To keep under review the method of distributing annual dividends, and decide annually on the amount and timing of dividend distribution.
5. To periodically review the membership of YPO.
6. To appoint annually at the Annual General Meeting an Audit & Scrutiny Sub-Committee and an Executive Sub-Committee, and a Joint Consultative Committee and receive minutes or reports from them highlighting any areas that require action by the Management Committee.
7. To seek assurances from the sub-committees that YPO is acting with all due care and attention.
8. The Management Committee shall appoint annually an 'Appointments Committee' with responsibility for the appointment and disciplinary procedures of the Board of Directors and appraising the performance of the Managing Director.

Yorkshire Purchasing Organisation**Executive Sub-Committee Terms of Reference 2019/20****Number of Members**

Nine Councillors, including Chair and Vice Chair of the Management Committee.
Not more than one Councillor from any member authority.

Quorum

Member representation from at least three Member Authorities.

Substitutes

Agreed named substitutes are Allowed.

Frequency of Meetings

Three times per annum.

Remit

1. To ensure that the performance of YPO is in accord with established business plans.
2. To receive trading reports from senior managers and that trading operations are in line with approved business plans.
3. To review the performance of the organisation in achieving its objectives through an examination of performance data and relevant performance indicators.
4. To receive reports on spending against approved budgets.
5. To review annually its terms of reference and report any additions and amendments to the Management Committee.
6. To provide an update to Management Committee on the activities of the Committee by way of meeting minutes and responses to any matters arising.
7. To consider applications for Associate Membership of YPO, and recommend them for approval by the Management Committee.

To act with delegated authority of the Management committee in respect of:

1. To approve individual capital investment proposals, in line with the overall investment plan agreed by the Management Committee.
2. To agree conditions within which goods, materials and services can be supplied to Member Authorities, Associate Members and other Local and Public Authorities covered by the Local Authorities (Goods and Services) 1970 act and any subsequent modifications.

Yorkshire Purchasing Organisation**Audit & Scrutiny Sub-Committee Terms of Reference 2019/20****Number of Members**

Sixteen Councillors, but not the Chair or Vice Chair of the Management Committee

Frequency of Meetings

Three times per annum, to be scheduled approximately one month prior to Management Committee meetings.

Quorum

Member representation from at least four Member Authorities.

Substitutes

Agreed named substitutes are allowed.

Remit

1. To ensure that the highest standards of probity and public accountability are demonstrated and in doing so ensure effective governance of YPO.
2. To provide the Management Committee with a reasonable assurance of the efficient and effective operation of the overall internal control environment within YPO, through a systematic appraisal of its framework of internal controls, processes and data quality.
3. To consider internal audit plans and performance to ensure the work of internal audit is planned and carried out with due regard to major risks, areas of significant financial effect and the need to cover the range of the service, and to challenge and review actions taken by senior managers on significant audit recommendations.
4. To consider the external audit work programme and monitor the implementation of significant external audit recommendations.
5. To ensure that an appropriate risk management strategy has been drawn up and to monitor that risk management procedures are being carried out effectively, including the establishment of a reserves policy.
6. To review annually its terms of reference and report any additions and amendments to the Management Committee.
7. To provide an update to management committee on the activities of the committee activity by way of meeting minutes and responses to any matters arising.
8. To ensure the effectiveness of decisions made by YPO by means of conducting scrutiny reviews in accordance with both an approved programme and on an ad-hoc "call in" basis.
9. In conducting reviews receive evidence and call witnesses as appropriate for each review so as to determine how decisions were made, on what basis were they made, if appropriate account of options and risks were considered, if the decisions made reflected original statements of intent and if decisions were made in a timely

fashion and if they were made in the best interests of YPO and in accord with YPO's public accountability and code of corporate governance.

10. To prepare a report following each review, setting out conclusions and recommendations, for submission to the Management Committee.
11. To review periodically the response of senior managers to completed reviews.
12. To carry out reviews requested by the Executive Sub-Committee and the Management Committee.

To act with delegated authority of the Management committee in respect of:

1. To approve the annual governance statement to the Management Committee for inclusion in the annual statement of accounts, and review the implementation of any audit recommendations arising from the final accounts audit.
2. To approve the acceptance of the annual statement of accounts. In the event the Committee not being quorate the Chair of the Audit & Scrutiny Sub-Committee shall have delegated authority from the Management Committee to sign the accounts if confident to do so after consultation with the Section 151 Officer.

Yorkshire Purchasing Organisation

Joint Consultative Committee Terms of Reference 2019/20

Number of Members

- Five Councillors (including the Chair and Vice Chair of the Management Committee) drawn from different member authorities.
- The Chair and Secretary of the YPO branch of UNISON.
- The UNISON Regional Organiser responsible for liaising with YPO.

Frequency of Meetings

Three times per annum, linked to Management Committee meetings.

Quorum

Two Councillors and two Trade Union officials.

Substitutes

Agreed name substitutes are allowed.

Remit

1. To represent and co-ordinate the views locally of UNISON and Members of the YPO Management Committee on issues of common interest in relation to YPO.
2. To raise issues, make recommendations and reach agreement on issues which have an effect on the employees of YPO, but without binding effect on either party.
3. To monitor and challenge the outputs of any employee satisfaction survey.
4. To promote the well-being of employees and monitor and challenge matters related to sickness and attendance.
5. To promote, challenge and monitor YPO's actions in relation to it being an employer of choice and its public sector equality duties.
6. To review annually its terms of reference and report any additions and amendments to the Management Committee.
7. To provide an update to management committee on any matters arising which warrant a wider discussion.

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PRINCIPAL AGENDA ITEMS 2019 - 2020

MANAGEMENT COMMITTEE

November 2019	Author	Agenda
Budget and Business Plans for 2019	PS/S Hall	Private
Business Update	SH	Private
YPO Pay Policy	JW	Public
Lead Authority Issues	GM	Public
Appointment of Auditors	PS	Public
Report of Independent Director	Independent Director	Private

March 2020	Author	Agenda
Pre-Audit Statement of Accounts <i>(For information only)</i>	PS/S Hall	Public
Dividend Distribution <i>(Total amount of dividend)</i>	PS/ S Hall	Private
Internal Audit Annual Report	Jason	Public
Lead Authority Issues	GM	Public
Business Update	SH	Private
Report of Independent Director	Independent Director	Private
Internal Audit Plan	JB	Public
Treasury Outturn Report	S Hall/ Wakefield	Private
Financial Procedure Rules & Standing Orders Relating to Contracts	PS	Private

June 2020	Author	Agenda
Annual Report	SH	Public
Audited Accounts <i>(For information only)</i>	PS/S Hall	Public
Governance Review	PS/AHG	Public
TOR and Work Programme	SH	Public
Business Update	SH	Private
Report of Independent Director	Independent Director	Private
Lead Authority Issues	GM	Public
Membership of the YPO Management Committee	KS	Public
Appointments to Sub-Committees & Joint Consultative Committee	KS	Public
Dividend Distribution <i>(Individual Dividend Amounts)</i>	PS	Private
Independent Director Recruitment Contract		Private
Gender Pay Gap (for info only)	JW	Public

PRINCIPAL AGENDA ITEMS 2019 - 2020

EXECUTIVE SUB COMMITTEE

November 2019	Author	Agenda
Financial Performance Report (Forecast for next year)	PS/S Hall	Private
Lead Authority Issues	GM	Public
Business Update	SH	Private
Attendance Report	JW	Private
Stock Losses Report	PS	Private
YPO Pay Policy	JW	
Independent Director Update – Verbal	RM	Private

March 2020	Author	Agenda
Financial Performance Report (Earmarked Reserves Spend to be included in this) (Review of previous year performance)	PS/S Hall	Private
Lead Authority Issues	GM	Public
Business Update	SH	Private
Standing Orders & Financial Procedure Rules	PS/S Hall	Public
Independent Director Update – Verbal	RM	Private
Attendance Report	JF	Private

June 2020	Author	Agenda
Financial Performance Report (Mid-year performance update)	PS/S Hall	Private
Business Update	SH	Private
Lead Authority Issues	GM	Public
Exec Sub Work Programme & TOR	SH	Public
Independent Director Update – Verbal	RM	Private

PRINCIPAL AGENDA ITEMS 2019 - 2020

AUDIT & SCRUTINY SUB COMMITTEE

November 2019	Author	Agenda
Internal Audit Plan Template 2019	JB	Public
Risk Register	PS/AHG	Private
Year End Closedown Timetable	PS/S Hall	Public
Appointment of Auditors	PS/ SHa	Public
IT Programme Update	GR	Private
Strategy Update	??	Private

February 2020	Author	Agenda
Internal Audit Action Update	PS/AHG	Private
Annual Governance Statement	PS/S Hall	Public
Pre-Audit Statement of Accounts (report will be submitted late but will be in for the official papers deadline)	PS/S Hall	Public
Internal Audit Annual Report 2019	JB	Public
Internal Audit Plan 2019	JB	Public
IT Programme Update	GR	Private
Strategy Update	??	Private
Stock Adjustments	PS	Private
Gifts & Hospitality	JW	Public
External Audit Plan	External Auditors	Public

May 2020	Author	Agenda
External Audit Report	External Auditors	Public
Audited Statement of Accounts	PS/S Hall	Public
Audit & Scrutiny Sub Work Programme & TOR	SH	Public
Governance Review	PS/ AHG	Public
Draft Internal Audit Plan 2020	JB	Public
IT Programme Update	GR	Private
Strategy Update	??	Private

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Date of Meeting		Board Meeting	Strategic Officers Meeting	Executive Sub Committee	Management Committee	JCC Members Meeting	Audit & Scrutiny Sub Committee	Partnership Liaison Meeting
July								
23/07	9:00	Board Meeting						
August								
27/08	9:00	Board Meeting						
September								
25/09	9:00	Board Meeting						
October								
TBC	9:00							Partnership Meeting
15/10	10:30		Strategic Officers					
22/10	9:00	Board Meeting						
November								
01/11	10:30						Audit & Scrutiny Sub	
15/11	10:30			Executive Sub				
26/11	9:00	Board Meeting						
29/11	9:30					JCC		
29/11	10:30				Management Committee			
December								
17/12	9:00	Board Meeting						
January								
28/01	9:00	Board Meeting						
February								
TBC	TBC							Partnership Meeting
04/02	10:30		Strategic Officers					
14/02	10:30						Audit & Scrutiny Sub	
25/02	10:30	Board Meeting						
March								
06/03	10:30			Executive Sub				
20/03	9:30					JCC		
20/03	10:30				Management Committee			
24/03	9:00	Board Meeting						
April								
28/04	9:00	Board Meeting						
May								
TBC	TBC							Partnership Meeting
12/05	10:30		Strategic Officers					
19/05	9:00	Board Meeting						
22/05	10:30						Audit & Scrutiny Sub	
June								
05/06	10:30			Executive Sub				
19/06	9:30					JCC		
19/06	10:30				Management Committee			
23/06	9:00	Board Meeting						

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TRAINING SCHEDULE 2019 - 2020



	EXEC SUB COM	AUDIT & SCRUTINY SUB COM
Date and Training Topic	15 th November 2019 Procurement Services Framework Case Study - Apprenticeships Lizzy Grayson	1 st November 2019 Internal Audit Training Jason Brook
Date and Training Topic	5 th June 2020 Order Process in the Warehouse David Sergent	14 th February 2020 External Audit Training External Auditors
Date and Training Topic	6 th March 2020 Marketing Strategy Jo Marshall	22 nd May 2020 Strategic Planning Paul Smith

2020/2021 TRAINING TOPICS:

- Operations Strategy
- Finance Strategy
- IT Strategy
- Education Strategy
- Public Sector Strategy
- People Strategy

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YPO
AUDIT & SCRUTINY SUB-COMMITTEE
TO BE HELD ON
29TH MAY 2019

TITLE: GOVERNANCE REVIEW

REPORT OF: MANAGING DIRECTOR

1. BACKGROUND INFORMATION

- 1.1 YPO has in place various governance policies and supporting documents that set out our approach to managing the organisation. These are reviewed regularly and any significant changes brought to committee for approval.
- 1.2 Since the last summary was considered by Audit & Scrutiny Sub-Committee in May 2018 the following have been reviewed and recommended actions detailed below.

Item	Latest Status	Action
YPO Procurement Holdings Strategic Fraud & Bribery Risk Register	Fully revised and updated June 2018	Adopted new clearer format Reviewed risks, controls, ratings
AIG (Insurer) Property Risk Survey	Reported July 2018	Note progress of actions to improve risk management
Whistleblowing Policy		
Insurance Claims Update Report	Reported Oct 2018	Note progress on claims
Employee Interests Policy	Fully revised and updated Oct 2018	Create new electronic forms for all staff to renew declarations
Gifts & Hospitality Policy	Fully revised and updated Oct 2018	Create new electronic forms for all staff to renew declarations
Raising Fraud Awareness Bulletin	Reported Nov 2018	Published on the YPO Intranet
Governance Update	Reported Dec 2018	Agreed changes to format and content of AGS and Local Code
Gifts & Hospitality Register Review	Reported Jan 2019	Noted gifts & hospitality over £25
Outstanding Audit Actions	Reported Jan 2019	Noted no overdue actions
Strategic Risk Register Q1 2019	Fully revised and updated Jan 2019	Adopt the new clearer format Review / score risks and controls
Annual Governance Statement 2018	Reported Jan 2019	Approve and publish (Feb 2019)
Local Code of Governance 2019	Published Feb 2019	Approve and publish (Feb 2019)
Financial Procedure Rules	Published Feb 2019	Deliver training to relevant staff
Standing Orders for Contracts	Published Feb 2019	Deliver training to relevant staff
Raising Fraud Awareness Bulletin	Reported March 2019	Published on the YPO Intranet

2. STRATEGIC IMPLICATIONS

2.1 There are no specific strategic implications arising from this report.

3. FINANCIAL/RESOURCE IMPLICATIONS

3.1 There are no specific financial or resource implications arising from with this report.

4. LEGAL IMPLICATIONS

4.1 These governance documents aid compliance with various pieces of legislation such as the Bribery Act 2010 and good practice such as the CIPFA / SOLACE Governance Framework 2016.

5. RISK IMPLICATIONS

5.1 This report supports governance and is part of YPO's overall framework for managing risk.

6. CONSULTATION

6.1 The reports, policies etc listed in the table at paragraph 1.2 above were subject to appropriate consultation before they were finalised and approved.

7. OPTIONS APPRAISAL

7.1 Not required

8. RECOMMENDATIONS

8.1 That the Audit & Scrutiny Sub-Committee note the contents of the table at paragraph 1.2 above.

9. REASONS FOR RECOMMENDATIONS

9.1 It is essential to maintain the effectiveness of YPO's governance arrangements.

SERVICE DIRECTOR: SIMON HILL, MANAGING DIRECTOR

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CONTACT OFFICER: ANDREA HIRST-GEE, ASSISTANT FINANCIAL CONTROLLER

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YPO
AUDIT & SCRUTINY SUB COMMITTEE
TO BE HELD ON
29TH MAY 2019

TITLE: DRAFT ANNUAL INTERNAL AUDIT PLAN 2019

REPORT OF: SERVICE MANAGER FOR INTERNAL AUDIT & RISK (WAKEFIELD COUNCIL)

1. PURPOSE OF REPORT

- 1.1. The Public Sector Internal Audit Standards (PSIAS) require the Chief Audit Executive (Service Manager for Internal Audit and Risk, for Wakefield Council) to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. This must take into account the requirement to produce an annual internal audit opinion and the assurance framework. As part of this report input is required from key stakeholders.
- 1.2. The Audit and Scrutiny Sub-Committee Terms of Reference require the Committee to consider internal audit plans and performance. The purpose of this report is to present the proposed Internal Audit Plan for 2019 to this Committee for review prior to approval by the Management Committee.

2. BACKGROUND INFORMATION

- 2.1 In setting the Internal Audit Plan, and conforming to the PSIAS requirements, the Service Manager for Internal Audit and Risk considers the following:
 - The objectives and priorities of the organisation, as set out in the YPO 3 Year Strategy;
 - The YPO Risk Register;
 - Previous internal audit work and findings;
 - Input from this Committee, the Section 151 Officer (Chief Finance Officer, Wakefield Council) and senior management; and,
 - Any other independent assurances that can be relied upon, for example external audit and commissioned pieces of work.
- 2.2 As part of the audit planning process for 2018 a move was made to a 3 Year Audit Plan, with 125 audit days allocated for each calendar year. This process has been continued for 2019 and a 3 Year Audit Plan for the period 2019-21 has been drafted.

The rest of this report details the process that has been followed to determine the priorities for the draft 3 Year Audit Plan.

Objectives and priorities of YPO

2.3 The 3 Year YPO Strategy was approved at the March 2018 Management Committee and at the March 2018 February 2018 Audit and Scrutiny Sub-Committee a three-year Internal Audit Plan was approved for the reporting period 2018-2020.

2.4 The overall vision for YPO is about achieving value for money when procuring its goods and services. It also has a mission to ‘be the UK’s number one public sector buying organisation’. This is then supported by the following:

- Relevance, meaning a greater degree of local stakeholder management so that YPO is a commercial partner of choice for local authorities;
- Market Focus, developing a broad range of commercial activities and having the right level of skills and focus on key markets;
- New commercial activities that reflect the changing market and benefit the small and medium enterprise business market;
- Financial resilience through the expansion of the local government framework business; and,
- Customer focus by maintaining a reputation of excellence and making sure the customer continues to be at the heart of everything that YPO does.

Strategic Risks

2.5 Internal Audit has access to the risk registers used by YPO, for which all risks are now scored on a 4 x 4 matrix (probability and impact). Table 1 below provides a summary of the highest rated corporate (i.e. a score of 8 or more).

Table 1 – Summary of high priority risks

Risk Description (Risk Reference)	Probability	Impact	Risk Score
Inefficient business processes resulting in reduced productivity, loss of business and reputational damage (SRR-08)	3	3	9
Business Continuity in the event of a major incident (SRR-09)	2	4	8
Uncertainties regarding the implications of Brexit, for example risks around labour shortage, impact on the supply chain and costs (SRR-19)	3	3	9

2.6 As part of the 2019 Audit Plan we will set a small number of days aside to monitor the implementation of the two GDPR high priority audit recommendations.

Input from key stakeholders

2.7 This plan has factored in issues that were previously agreed with this Committee and senior management when the Three Year Internal Audit Plan 2018-20 was approved. In conformance with PSIAS requirements this has been reviewed, as set out in this report to ensure that it is still focussed on the significant risks facing YPO.

2.8 Discussions have also been held with the Section 151 Officer, the Deputy Managing Director and Assistant Financial Controller to help identify potential new and emerging areas for consideration.

Conclusion for the proposed audit plan

2.9 Based upon the methodology set out in this report the proposed audit plan is summarised in Appendix A. This plan will continue to be delivered within the previously agreed 125 days of Internal Audit work per year (annual cost of £45,000).

In line with agreed protocols, progress reports will be submitted to this Committee to provide updates against the agreed plan.

Internal Audit Opinion Levels

- 2.10 Table 3 sets out the opinion levels that we currently use when providing assurances to this Committee. The ratings are based upon a combined assessment of the robustness of the control environment (mitigating the risks under review) and compliance with agreed management controls.
- 2.11 As part of the process of continual improvement, and in order to maximise added value, it is the opinion of the Service Manager for Internal Audit and Risk that the opinion levels should be amended to those in Tables 4 and 5.
- 2.12 The rationale for the changes are that the new opinion levels will clearly detail whether any issues are linked to weaknesses in the actual control environment or related to non-compliance with expected management controls. In addition, a new opinion level of satisfactory has been added as there is a significant difference between 'mostly effective' and 'partially effective' under the existing opinion levels.

Table 3 – Current Internal Audit Opinion Levels

Opinion	Definition
Fully Effective	The key controls in place and working are fully effective as a means of managing the potential impact of the risks reviewed, and maximises the likelihood of achieving associated key business objectives.
Mostly Effective	Most key controls were found to be in place and working as a means of managing the potential impact of the risks reviewed. However, some improvement is required in order to maximise the likelihood of achieving associated key business objectives.
Partially Effective	Some key controls were found to be in place and working as a means of managing the potential impact of the risks reviewed. However, significant improvement is required in order to maximise the likelihood of achieving associated key business objectives.
Ineffective	Evidence was found of a significant lack of operation of key controls, as a means of managing the potential impact of the risks reviewed to the extent that there is limited or no assurance that associated key business objectives will be achieved.

Table 4 – Proposed Internal Audit Opinion Level for the Control Environment

Opinion	Definition
Substantial	There are minimal control weaknesses and they present a very low risk to the control environment. This maximises the likelihood of achieving the key business objectives and priorities.
Good	There are minor control weaknesses that present a low risk to the control environment. Some opportunities have been identified that would further support the achievement of key business objectives and priorities.
Acceptable	There are some control weaknesses that present a medium risk to the control environment. Improvement is required to ensure that key business objectives and priorities are achieved.
Limited	There are significant control weaknesses that present a high risk to the control environment. There is a significant risk that the area being reviewed is not effectively or efficiently supporting the achievement of key business objectives and priorities.
None	There are fundamental control weaknesses that present unacceptable levels of risk to the Organisation.

Table 5 – Proposed Internal Audit Opinion Level for Compliance with Existing Controls

Opinion	Definition
Substantial	The control environment has substantially operated as intended.
Good	The control environment has largely operated as intended although some minor errors have been identified.
Acceptable	The control environment has mainly operated as intended although errors have been identified.

Limited	The control environment has not operated as intended with significant errors identified.
None	The control environment has fundamentally broken down and is open to significant error or abuse.

3. STRATEGIC IMPLICATIONS

- 3.1 Section 2 of this report details how the audit plan has been developed, in particular linking with the 3 Year Strategic Plan and the risk registers maintained by YPO.

4. FINANCIAL IMPLICATIONS

- 4.1 The annual cost for the provision of Internal Audit for YPO is £45,000 per year.
- 4.2 The audit plan also takes into account the need to provide the Section 151 Officer (Chief Finance Officer for Wakefield Council) with independent assurance of the effectiveness and efficiency of controls for the main financial systems.

5. LEGAL IMPLICATIONS

- 5.1 There is a statutory requirement for an Internal Audit function within YPO, as set out in the Accounts and Audit Regulations and implied within the Local Government Act 1972, relating to the responsibility of a designated statutory s151 Finance Officer to gain assurance on the proper administration of the Organisation's financial affairs.
- 5.2 The Audit and Scrutiny Sub-Committee has delegated authority to provide the Management Committee with a 'reasonable assurance of the efficiency and effective operation of the overall internal control environment within YPO'. One of the sources of this assurance is through the work of Internal Audit.

6. EQUALITY IMPLICATIONS

- 6.1 Equality issues are taken into account when considering the Organisation's key strategic risks.

7. RISK IMPLICATIONS

- 7.1 In line with the Public Sector Internal Audit Standards there is a requirement to set a risk-based audit plan. As detailed in Section 2 of this report one of the sources of information is YPO's risk register (for strategic and operational risks). In addition, input has been sought from senior management to help identify new and emerging areas of risk.

8. RECOMMENDATION

- 8.1 The Audit and Scrutiny Sub-Committee is asked to:
- Review and approve the proposed Internal Audit Plan for 2019 to 2021 (see Appendix A); and,
 - Consider the request for changing the opinion levels that are currently used by Internal Audit.

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APPENDIX 1

Draft Internal Audit Plan for Period 2019 to 2021

Table 1: Proposed Audits for 2019 Calendar Year

Audit Area	Type of Audit	Brief Summary	Audit Days	Links to YPO Priorities	Links to YPO Risks
Section 151 Assurance Work					
Asset Management	Key Financial System	To gain assurance that significant assets are properly accounted for and secured.	15	Financial Resilience	SRR-07 SRR-08
Creditors	Key Financial System	To gain assurance on the effectiveness of controls for raising orders and making payments to the suppliers for goods and services.	15	Financial Resilience	SRR-07 SRR-08 SRR-15
Consultancy Work					
Counter-Fraud and Corruption Arrangements	N/A	To act in a 'critical friend' role for the YPO in the review of counter-fraud policies and procedures. The work will also assist Internal Audit in its development of assurance mapping for the YPO and will link with YPO's ongoing review of counter fraud and bribery.	10 ¹	All	SRR-17
Risk Management	N/A	To act in a 'critical friend' role for the YPO in offering advice on risk management arrangements.	10 ¹	All	ALL
LINK Programme	N/A	To provide on-going support to the YPO in the implementation of the new ICT System.	10	All	SRR-05
Governance and Risk-Based Work					
Adherence to legislation	Risk Based	To provide assurance over Health and Safety risk areas ensuring compliance with key policies and legal frameworks.	15	Customer Focus	SRR-12
Business Planning	Risk Based	To provide assurance over the sufficiency of business planning documentation for decision making.	15	All	SRR-06 SRR-08 SRR-16
Rebate Income	Risk Based	To gain assurance on the adequacy of controls relating to rebate income.	15	Financial Resilience	SRR-07 SRR-08
Follow-Up Reviews					
Implementation of High Priority Audit Recommendations from the GDPR Audit.	Follow Up	To seek assurance on the implementation of high-priority audit recommendations agreed in the follow up audit undertaken in 2018.	15	Customer Focus	SRR-02

¹ These days will not be included as part of the chargeable days for 2019

Audit Area	Type of Audit	Brief Summary	Audit Days	Links to YPO Priorities	Links to YPO Risks
Contingency Time					
Contingency Time	-	Time set aside for new and emerging risks and complete individual follow-up audits within the 2019 calendar year.	15	-	-
Liaison, Consultancy and Advice					
Liaison, Consultancy and Advice	-	Development of the 2019 Calendar Year Audit Plan and update of the rolling 3-Year Audit Plan. Drafting of the Annual Internal Audit Opinion Report. Drafting of regular update reports to Elected Members and senior management. Travel to, and attendance at, relevant YPO Committee's (e.g. YPO Management Committee and YPO Audit Sub-Committee). Liaison as and when required.	10	-	-
Total (excluding 20 days non chargeable time)			125		

Table 2 Indicative Three Year Audit Plan for 2019 to 2021

Audit Area	2019	2020	2021	Comments
Section 151 Assurance Work				
Asset Management	✓			Last reviewed in 2016.
Budgetary Control			✓	Last reviewed in 2018.
Creditors (including ordering).	✓			Last reviewed in 2016.
Debtors		✓		Last reviewed in 2017.
Main Accounting System.			✓	Last reviewed in 2018.
Payroll		✓		Last reviewed in 2017.
Consultancy Work				
Counter-fraud and Corruption Arrangements	✓			10 days consultancy service, at no cost to YPO, will be provided to YPO in 2019. This will be used to help develop Internal Audit assurance maps for YPO and will link with YPO's ongoing review of counter fraud and bribery.
Risk Management.	✓			As above, 10 days consultancy service will be provided at no extra cost. This will help develop Internal Audit assurance maps and future coverage.
LINK – implementation of new ICT system.	✓			We have allocated 10 chargeable days in the audit plan for ongoing liaison in this area.
Governance and Risk Based Audit Work				
Adherence to Legislation – Health and Safety	✓	✓	✓	Time will be made available in each year for a review of health and safety.
Business Planning	✓			The audit will cover a review of the sufficiency of business planning

Audit Area	2019	2020	2021	Comments
				documentation for decision making.
Customer Engagement		✓		The audit will provide assurance over a core strategy objective.
Data Quality		✓		Audit to take place in 2020 covering data quality in relation to the LINK programme, ensuring the accurate of data to provide good quality management information.
ICT Arrangements		✓		This will typically cover areas such as: <ul style="list-style-type: none"> • Access Controls; • Change Controls; • Cyber Security; • File Controls; • Network Controls.
Governance arrangements			✓	Audit of governance arrangements focussing on decision making processes.
Limited Company Governance Arrangements		✓		
Rebate Income	✓			To gain assurance on the adequacy of controls relating to rebate income.
Stock Control			✓	This area was reviewed in 2018, however, we have not reviewed all depots.
Transport Logistics		✓		Largest expenditure cost centre therefore audit review is required.
Warehouse Management System			✓	Review required following implementation of new Warehouse Management System in 2020.
Follow-up Reviews				
Follow-up work	✓	✓	✓	As required – a review will be completed of any audits with an opinion of ‘partially effective’ or ‘ineffective’.
Liaison, Consultancy and Advice				
As appropriate	✓	✓	✓	Attendance at Committees, reporting, liaison and advice.

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