

Your Ref.
Our Ref

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Date 25 June 2020

Merran McRae - Chief Executive

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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 – FRIDAY, 3 JULY 2020

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 **virtually via Microsoft Teams** at **10:30 am on Friday, 3 July 2020**, to consider the items set out in the agenda attached.

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

Friday, 3 July 2020

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 14th February 2020. (Pages 1 - 4)
6. Draft External Audit Completion Report. (Pages 5 - 31)
7. Audited Statement of Accounts. (Pages 33 - 74)
8. Annual Internal Audit Opinion. (Pages 75 - 82)
9. Draft Annual Internal Audit Plan 2020. (Pages 83 - 90)
10. Governance Review. (Pages 91 - 93)
11. Audit & Scrutiny Sub Committee Terms of Reference and Work Programme 2020/2021. (Pages 95 - 105)
12. Exclusion of the Public and Press
“That the public and press be excluded from the meeting during consideration of agenda items 13 - 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. Link Update Report. (Pages 107 - 113)
14. Business Update. (Pages 115 - 117)
15. Date of next meeting.

Proposed as 6th November 2020.

YORKSHIRE PURCHASING ORGANISATION

AUDIT & SCRUTINY SUB-COMMITTEE

FRIDAY, 14TH FEBRUARY 2020

Present: The Chair: Councillor Warburton (Bradford)

Councillors: Warburton (Bradford), Barnard (Barnsley), Barnes (Calderdale), White (North Yorkshire)

12.	CHAIR'S INTRODUCTION & WELCOME
	Councillor Warburton welcomed all parties to the meeting.
13.	ACCEPTANCE OF APOLOGIES FOR ABSENCE
	Apologies for absence submitted prior to the meeting were accepted on behalf of Councillors Turner (Kirklees), Haslam (Bolton), Dadd (North Yorkshire), Pavlovic (York), Williams (Wakefield), and Wyatt (Rotherham).
14.	MEMBERS DECLARATION OF INTEREST
	No declarations of interest were made.
15.	URGENT ITEMS
	No urgent items were raised.
16.	PREVIOUS MINUTES (AUDIT & SCRUTINY SUB COMMITTEE)
	The minutes of the YPO Audit & Scrutiny Sub-Committee held on 1 st November 2019 were approved by all.
17.	ANNUAL GOVERNANCE STATEMENT & LOCAL CODE OF CORPORATE GOVERNANCE
	Consideration was given to a report of the Deputy Managing Director (Paul Smith), which presents the first draft of the Annual Governance Statement (AGS) 2019 for consideration. The Local Code has been reviewed and no changes are proposed at this time. Resolved - (1) That the Annual Governance Statement & Local code of corporate governance be approved.
18.	DRAFT PRE-AUDIT STATEMENT OF ACCOUNTS
	Consideration was given to the tabled report of the Head of Finance which provided Members with the details of the Pre-Audit Statement of Accounts 2019. The report will be submitted to the next meeting of the YPO Management Committee for the information to be noted by members. Resolved – (1) That the Pre - Audit Statement of Accounts 2019 are agreed to be submitted to External Audit.

19.	INTERNAL AUDIT UPDATE REPORT
	<p>Consideration was given to the report of the Service Manager for Internal Audit & Risk (Wakefield Council) which provided Members with details of audit work undertaken and reports issued, between 1st January 2019 and 28th January 2020.</p> <p>Resolved – (1) That the Internal Audit Update Report be noted.</p>
20.	INTERNAL AUDIT ACTIONS 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>
21.	EXTERNAL AUDIT PROGRESS REPORT
	<p>Alastair Newall (Mazars) shared an update on the External Audit progress from Mazars, and on-going work.</p> <p>The update also outlines to Members the details of National publications.</p> <p>Neil Warren noted it may be useful to add the CIPFA Financial Management Guide self-assessment to the Audit & Scrutiny Sub committee's work programme for 2020/2021.</p> <p>Resolved – (1) That the report be noted.</p>
22.	GIFTS & HOSPITALITY
	<p>Consideration was given to the Gifts and Hospitality report presented by the Deputy Managing Director (Paul Smith).</p> <p>It was noted 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>
23.	FINANCIAL PROCEDURE RULES AND STANDING ORDERS RELATING TO CONTRACTS
	<p>The Deputy Managing 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, but this is currently being reviewed following Brexit progress.</p> <p>Resolved – (1) That the Standing Orders for Contracts and Financial Procedure Rules be noted.</p>

24.	EXCLUSION OF THE PUBLIC AND PRESS
	<p>Resolved – That the public and press be excluded from the meeting during consideration of agenda items 14 to 20 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.</p>
25.	LINK UPDATE REPORT (EXEMPT – PARAGRAPH 3)
	<p>Consideration was given to the report of the Deputy Managing Director (Paul Smith), which provided Members with an update on the current project status.</p> <p>Paul Smith provided Members with a presentation, which summarised the issues faced, customer impact and the current status.</p> <p>Members raised a number of questions, and Officers provided detailed responses. It was noted that a review is currently taking place from an external consultant.</p> <p>Resolved – (1) That the update be noted.</p> <p>(2) It was agreed for a further report to be completed and circulated to all Committee Members.</p> <p>(3) It was agreed to bring a further update to the next Audit & Scrutiny Sub Committee meeting.</p>
26.	BREXIT UPDATE REPORT (EXEMPT – PARAGRAPH 3)
	<p>Simon Hill shared a report which informed Members of YPO's plans in relation to Brexit.</p> <p>A discussion was held around the options, and forward buying of US dollars.</p> <p>Resolved – (1) That Members agreed to Option 2.</p>
27.	STOCK ADJUSTMENTS (EXEMPT – PARAGRAPH 3)
	<p>Consideration was given to a report that outlines the stock adjustments incurred during 2019.</p> <p>Members raised a number of questions and detailed responses from YPO Officers were accepted.</p> <p>Resolved – (1) That the report be noted.</p>
28.	PUBLIC SECTOR STRATEGY (EXEMPT – PARAGRAPH 3)
	<p>Resolved – (1) It was agreed this item would be deferred to the next Audit & Scrutiny Sub Committee meeting.</p>

29.	STRATEGIC RISK REGISTER UPDATE
	<p>A report of the Deputy Managing 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>Paul Smith noted the Strategic risk register is an on-going document, and this will be undertaking further reviews due to the current system updates.</p> <p>Resolved – (1) That the Strategic Risk Registers for the Organisation be noted.</p>
30.	RISK MANAGEMENT STRATEGY & FRAMEWORK
	<p>The Deputy Managing Director (Paul Smith) shared the Risk Management Strategy & Framework report, the new fully revised Risk Management Strategy and Framework is attached at Appendix 1.</p> <p>Resolved – (1) That the Risk Management Strategy & Framework be approved.</p>
31.	EMPLOYEE DECLARATIONS OF INTEREST
	<p>The Deputy Managing Director (Paul Smith) shared a report detailing the Employee Declarations of Interest Policy. The Policy was fully reviewed and updated in October 2018 and no further changes are planned at this time.</p> <p>Resolved – (1) That the report be noted.</p>
32.	DATE AND TIME OF NEXT MEETING
	<p>Resolved – (1) That the next meeting of the YPO Audit & Scrutiny Sub Committee is to be held on 3rd July 2020, 10.30am.</p>

Draft Audit Completion Report to Audit & Scrutiny Sub-Committee

YPO (Yorkshire Purchasing Organisation)
Year ending 31 December 2019

CONTENTS

1. Executive summary
2. Audit Approach
3. Significant findings
4. Internal control recommendations
5. Summary of misstatements
6. Value for Money

Appendix A – Draft management representation letter

Appendix B – Draft auditor's report

Appendix C – Independence

This document is to be regarded as confidential to Yorkshire Purchasing Organisation (YPO). It has been prepared for the sole use of the Organisation. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

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25 June 2020

Dear Members

Audit Completion Report – Year ended 31 December 2019

We are pleased to present our Audit Completion Report for the year ended 31 December 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented to the Audit & Scrutiny Sub-Committee on 1 November 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate, although we have taken into account the impact of the Covid-19 pandemic on the Organisation's financial statements during our work.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07881 283732.

Yours faithfully

Craig Maxwell
Mazars LLP

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1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Yorkshire Purchasing Organisation ('the Organisation') for the year ended 31 December 2019, and forms the basis for discussion at the Audit & Scrutiny Sub-Committee meeting on 3 July 2020.

The detailed scope of our non-statutory external audit work as your appointed auditor for 2019 is set out in our engagement letter dated 10 December 2019. Our audit has been conducted in accordance with International Standards of Auditing (UK) and we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Section 2 of this report outline the detailed findings from our work on the financial statements and includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control;
- Revenue recognition;
- Valuation of Property, Plant & Equipment;
- Valuation of Defined Benefit Pension Liability;
- Related Party Transactions; and
- The application of new accounting standards.

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, we intend to provide an unqualified non-statutory opinion on the financial statements. At the time of preparing this report the matters remain outstanding are set out on the following page. In addition our audit work is subject to Partner review and further matters may be identified as a result.

We will provide the Audit & Scrutiny Sub-Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.









Audit Adjustments and Internal Control Recommendations

Section 4 sets out the internal control recommendation that we have made.




Section 5 outlines the audit adjustments noted as part of our audit as at the time of issuing this report. If any additional adjustments are noted on completion of the outstanding work, these will be reported to the Audit & Scrutiny Sub-Committee in a follow-up letter.

1. EXECUTIVE SUMMARY

Status of our work – procedures still to be completed

Audit area	Status	Description of outstanding matters
Going concern		We are completing our work on the Organisation's assessment of its going concern, considering the cash flow forecasts and underlying assumptions
Income recognition		Supporting evidence is awaited for two items tested around the year to confirm that the income has been recognised in the correct year based on the requirements of IFRS15
Other operating expenditure		Supporting evidence is awaited for one item tested to provide assurance of the completeness of other expenditure recognised in the 2019 financial statements
Inventory balance		Our testing has identified non-material control weaknesses in the stock taking procedures. We are in the final stages of discussing the impact of these weaknesses on the year end balance and obtaining evidence to confirm there are no material reporting matters.
Leases		We are awaiting a copy of the Organisation's lease for the Flanshaw Lane property to conclude on the accounting treatment of the lease
Debtors balance		We are awaiting supporting evidence for one sample item relating to catalogue contributions due at the year end.
IT general controls testing		Information is still to be provided to enable our IT auditors to complete the necessary testing on the Organisation's IT controls
Signed final statements and signed Management Representation Letter		Following the Management Committee on 30 July 2020 the Organisation will provide signed copies of the financial statements, annual governance statement and Management Representation Letter

Status

-  Likely to result in material adjustment or significant change to disclosures within the financial statements
-  Potential to result in material adjustment or significant change to disclosures within the financial statements
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements

2. AUDIT APPROACH

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum (ASM) in November 2019. We have not made any changes to our audit approach since we presented our ASM, but we did revise our consideration of materiality through the audit.

Materiality

We communicated our expectations of materiality at the planning stage in our ASM as being around 1.25% of total revenue income. As we completed our planning and interim audit work, and gained significant knowledge of the Organisation’s control environment and financial reporting arrangements. Consequently at the stage we received the draft financial statements we set our materiality at £2.2m, representing 2% of the reported total revenue income in the draft financial statements.

Our materiality levels and trivial thresholds are set out in the table below. We set our trivial threshold (the level under which individual errors are not communicated to the Audit & Scrutiny Sub-Committee, at £66k based on 3% of overall materiality.

Materiality element	Materiality
Overall materiality	£2,215,000
Performance materiality	£1,550,000
Trivial threshold for reporting to Audit & Scrutiny Sub-Committee	£66,000

We confirm that there were no qualitative factors which we considered when setting the level of materiality for the Organisation.

We have also considered whether there are any classes of transactions, balances or disclosures where adjustments of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We have concluded that there were no such items and we have not set a specific lower materiality for any items of account/disclosures.



3. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 12 we have concluded whether the non-statutory financial statements have been prepared in accordance with the Organisations' chosen financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Organisation's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk

Description of the risk

Management override of controls

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

There are no matters arising from our work on the management override of controls.



3. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Revenue recognition	<p>There is an inherent risk of fraud in revenue recognition in all entities due to the potential to inappropriately shift the timing and basis of revenue recognition as well as the potential to record fictitious revenues or fail to record actual revenues. This is acknowledged in the International Standards on Auditing which include a rebuttable presumption of that there is a significant risk of fraudulent revenue recognition in all audits. Based on our initial planning work we concluded that this risk was not rebuttable and we focused our testing of this risk on the recognition of revenue around the end of the financial year, considering that in the Organisation the risk relates to accounting for income in the wrong accounting period.</p>

How we addressed this risk

We have addressed this risk by gaining a detailed understanding of the policies for income recognition across all sales and framework contract rebate income, and considering the specific risk of revenue being accounted for in the wrong accounting period.

We have performed detailed testing across each material income stream focusing on the recognition of sales income and framework contract rebate income in the correct period. We tested a sample of transactions from the period around the financial year end.

Audit conclusion

As highlighted in section 1 our work against revenue recognition is still to be concluded. There are no significant matters arising to date from the elements of this work that have been completed.



3. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Property, plant and equipment valuation

Description of the risk

The CIPFA Code which the Organisation has voluntarily adopted, requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Organisation has engaged an external valuer to value the land & buildings which it recognises in its financial statements.

As the valuation of property, plant & equipment involves the use of a management expert (the valuer), and incorporates assumptions and estimates which impact materially on the reported value, there are significant audit risks in this area.

How we addressed this risk

We assessed the Organisation's valuer's qualifications, objectivity and independence to carry out such valuations.

We confirmed that the valuation basis adopted was appropriate, and that the date of the valuation was 31 December 2019.

We reviewed the valuation methodology used, including agreeing the underlying source data to the Organisation's own records.

We considered the assumptions adopted by the valuer, and obtained corroborative evidence to support the reasonableness of the assumptions.

Audit conclusion

Our work on the valuation of Property, Plant and Equipment has not identified any significant issues and we have obtained assurance that the valuations are not materially misstated.

3. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk
Defined benefit liability valuation

Description of the risk

The net pension liability represents a material element of the Organisation's balance sheet. The Organisation is an admitted body of West Yorkshire Pension Fund, which had its last triennial valuation completed as at 31 March 2016. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Organisation's overall valuation.

There are financial assumptions and demographic assumptions used in the calculation of the Organisation's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Organisation's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing the Organisation's pension obligation are not reasonable or appropriate to the Organisation's circumstances. This could have a material impact to the net pension liability at 31 December 2019.

How we addressed this risk

As part of our work we reviewed the controls that the Organisation has in place over the information sent to the Scheme Actuary, including the Organisation's process and controls with respect to the assumptions used in the valuation. We also evaluated the competency, objectivity and independence of the scheme Actuary, Aon Hewitt.

We liaised with the auditors of the West Yorkshire Pension Fund particularly to gain assurance that relevant controls in place at the Pension Fund are operating effectively. This included the controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate.

We reviewed the appropriateness of the methodology applied in the valuation of the liability by Aon Hewitt, and the key assumptions included within the valuation, comparing them to expected ranges, utilising information provided by Mazars internal actuaries. We reviewed the methodology applied. We considered the Organisation's response to the key risks that emerged through the audit relating to legal cases that impact on the Local Government Pension Scheme.

We agreed the data in the actuarial valuation report to the pension accounting entries and disclosures in the Organisation's financial statements.

Audit conclusion

Our work on the valuation of the LGPS Pension Liability has not identified any significant issues and we have obtained assurance that the valuations are not materially misstated.

3. SIGNIFICANT FINDINGS (CONTINUED)

Management judgement
Application of new accounting standards

Description of the management judgement

The 2019 accounting year was the first one where the Organisation's financial statements must implement two new accounting standards which have been incorporated into the CIPFA Code, IFRS9 and IFRS15.

IFRS9 relates to classification and measurement of the Organisation's financial assets and liabilities.

IFRS15 relates to the recognition and measurement of the revenue income the Organisation receives from contracts with customers.

How our audit addressed this area of management judgement

We considered the application of both new IFRSs as part of our testing on financial instruments and revenue income.

We engaged in early discussions with the Organisation to ensure that they are aware of the advance preparations that were needed in order to produce compliant financial statements.

Our detailed testing of financial assets considered whether the categorisation, measurement and disclosure was in line with the requirements of IFRS9.

Our detailed testing of revenue income considered whether the Organisation had correctly recognised income in line with the requirements of IFRS15.

Audit conclusion

Our work relating to compliance with IFRS9 concluded that the Organisation had complied with the requirements of the standard in recognising and measuring its financial assets, but that additional disclosures were required to the draft financial statements. We also concluded that the Organisation had correctly applied the expected credit loss model in considering the value of its financial assets such as the short term debtors. Through discussions with management we identified enhancements to the disclosures in the draft financial statements to comply with the requirements of the financial reporting framework.

Our work relating to compliance with IFRS15 concluded that the Organisation had correctly recognised its income in the year arising from contracts with customers. In concluding our work we noted that, prior to implementing the Organisation's updated ledger system in December 2019, it incorrectly recognised income from 'Direct Supplies' when the Organisation placed the order with the direct supply company. The correct treatment under IFRS15, which the Organisation now adopts, is to recognise the income when the direct supply company satisfies, and delivers the order to the customer. This incorrect treatment through first 11 months of the year did not lead to any incorrect recognition of income in the financial year.

3. SIGNIFICANT FINDINGS (CONTINUED)

Management judgement
Related Party Transactions

Description of the management judgement

In producing its non-statutory financial statements the Organisation applies the requirements of the CIPFA Code and IAS24 to disclose its transactions with related parties.

The Organisation makes judgements about who related parties are, and whether transactions are material in line with the CIPFA Code.

How we addressed this area of management judgement

We considered the Organisation’s approach to identifying its related parties, and the transactions that it has had with those related parties through the year.

We considered the material completeness and accuracy of the disclosures taking into account the process and the output from the Organisation’s work.

Audit conclusion

Our work on the Organisation’s disclosed related party transactions has not identified any significant matters to report. We have identified one low priority internal control recommendation relating to the Organisation’s approach to identifying related party transactions.

In addition through discussions with management we identified enhancements to the disclosures in the draft financial statements to comply with the requirements of the financial reporting framework.



3. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Organisation's accounting practices

The Organisation voluntarily produces non-statutory financial statements which are prepared on a going concern basis as required by the Code of Practice on Local Authority Accounting (the Code). We considered the appropriateness of the use of the going concern assumption and have reviewed the Organisation's accounting policies and disclosures. We particularly considered the impact on the Organisation of the Covid-19 pandemic, and the Organisation's own assessment of the impact on its 'going concern' assumption. We concluded that additional disclosures were required to fully disclose the Organisation's going concern consideration. As highlighted in section 1, our work on going concern is still to be concluded.

We received draft accounts from the Organisation on 19 March 2020 and were of a good quality. We fed back a number of changes that were required, for compliance, or suggested, to improve the readability. Good quality supporting working papers have been made available and these have assisted our audit progress. The Organisation's finance team have been very helpful in answering our detailed audit queries. In particular, the demands of completing a year-end audit during the Covid-19 lockdown have been significant, and the Organisation has met those challenges and supported our audit team commendably.

Significant matters discussed with management

During our audit we discussed a number of matters with management. The most significant of those matters are:

- The Organisation's application of accounting standards IFRS9 on its financial assets and IFRS15 on its income from contracts with customers.
- The Organisation's approach to stock-taking in the two main warehouses.

Our resolution of these considerations have not led to any amendments to the draft financial statements but we have reported an unadjusted audit difference and included a recommendation relating to the stock taking process in section 4 and 5.

Significant difficulties during the audit

Other than difficulties related to the ongoing impact of the Covid-19 pandemic, during the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.



4. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	4



4. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other recommendations on internal control – Level 3

Stock-taking procedures

Description of deficiency

In undertaking its rolling stocktaking of items in the warehouses there are items of stock counted which do not match the stock recorded on the stock system. In the stock count at which we attended there were discrepancies in 24 of the 33 stock items we counted across both warehouses. While these discrepancies were not material it was clear from our discussions with management that there are no clear procedures or investigation thresholds for following up and resolving discrepancies that are identified in the stock counts. The investigations of discrepancies is down to management judgement, applying their knowledge and understanding of the stock numbers and values.

Potential effects

The discrepancies we identified in our stock counts totalled only £1,350 and represented less than 0.5% of the stock value counted. Nonetheless the large number of stock lines with discrepancies indicates that the Organisation should maintain close oversight of the discrepancies and establishing agreed threshold on number and value of items with discrepancies will help to enhance the control environment and provide assurance that all significant discrepancies are understood and corrective action taken if necessary.

Recommendation 1

The Organisation should enhance their stocktaking procedures by establishing investigation thresholds, by quantity and value, to ensure that discrepancies between the actual stock and that recorded on the system are investigated.

Management response

4. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other recommendations on internal control – Level 3

Free replacements of incorrect orders (FCIs)

Description of deficiency

On occasions the Organisation picks and dispatches the wrong stock item to a customer. When this occurs the customers are able to request replacement items and the Organisation offers this as a gesture of goodwill to correct the error. However the Organisation does not correct the impact on the stock balances once the error is identified and corrected.

Potential effects

The original incorrect order results in two stock items being recorded at the wrong balance: the ordered item (system balance is lower than the actual balance) and the incorrectly dispatched item (system balance is higher than actual balance). On raising a FCI the Organisation dispatches the correct item which reduces the actual inventory and the system inventory once more. This leads to inaccurate recording of both items. This could result in future orders being unable to be fulfilled due to inaccurate stock levels for those inventory levels that are physically lower than the system suggests. It also means inventory could be left unsold if the inventory level is lower than physical level.

Recommendation 2

Where items of stock which have been wrongly dispatched and are subsequently corrected by dispatching the correct stock item, the Organisation should ensure that its processes:

- Correct the system stock on the item that should have been sent (There will be more physical stock than is showing on the stock system because an item has not been picked and dispatched).
- Identify the actual stock item that was sent in error, for example by customer verification, and adjust the stock level on this item (There will be less physical stock than is showing on the stock system because this item has been picked and dispatched in error).

Any FCI should then correctly alter any stock adjustments required and this should be correctly raised via a sales order to deplete the stock by the picked and dispatched stock item.

Management response

4. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other recommendations on internal control – Level 3

Identifying material transactions with Related Parties

Description of deficiency

The Organisation's closedown processes involve the identification of transactions with its related parties in order to disclose the material transactions in the financial statements. We would expect the Organisation to identify the related parties from declarations of interest from senior management and members and interrogate the accounts payable and accounts receivable systems to identify all transactions with those related parties. The Organisation has reported to us that they carry out this procedure but do not retain evidence of the interrogation and subsequent consideration of the materiality of the identified transactions.

Potential effects

In not retaining the evidence of a formal interrogation of the transactions recorded in the accounts payable and accounts receivable systems the Organisation is not able to demonstrate that it is identified and reported all relevant transactions.

Recommendation 3

The Organisation should formalise its interrogation of the accounts payable and accounts receivable systems and retain evidence of the output to support its disclosures in the financial statements.

Management response

Fully depreciated assets held on the Asset Register

Description of deficiency

The Organisation's fixed asset register includes a large number of assets that have been fully depreciated.

Potential effects

There is a risk that fully depreciated assets, which are reflective of assets that have reached the end of their assessed useful lives, may not still be in use.

Recommendation 4

The Organisation should review the assets that have been fully depreciated and satisfy themselves that the assets are still in use and remove them from the register if they conclude they are not in use.

Management response

5. SUMMARY OF AUDIT ADJUSTMENTS

We set out below the items identified for adjustment during the course of the audit, above the level of trivial threshold of £66k.

On this page we report the adjustments that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not intend to adjust.

On the following page we report the audit adjustments for which the draft financial statements have been adjusted by management during the course of the audit.

Unadjusted audit differences 2019

Based on the work completed to date there are no unadjusted audit differences arising from our audit.

5. SUMMARY OF AUDIT ADJUSTMENTS (CONTINUED)

Adjusted audit differences 2019

Comprehensive Income and Expenditure Statement

Balance Sheet

Dr (£'000) Cr (£'000) Dr (£'000) Cr (£'000)

1	Dr: Discounts	134			
	Cr: Cost of Sales		134		

Discounts which the Organisation received on its purchases were incorrectly included as an additional income item in Gross Surplus rather than being netted off the Cost of Sales as is required by IAS2

2	Dr: Supplies & Services expenditure	100			
	Cr: Other income		100		

Income received in the Organisation canteen was incorrectly netted off the Supplies & Services expenditure rather than being included as other income

3	Dr: Short Term Debtors			108	
	Cr: Short Term Creditors				108

VAT due back from HMRC was netted off the short term creditors balance rather than being classified as a short term debtor

Disclosure adjustments

In addition to the adjustments outlined above, the Organisation has made a number of amendments to the disclosures in the financial statements.

Among these adjustment were contextual or presentational adjustments made to:

- Enhance the disclosures relating to going concern in Note 1;
- Enhance the disclosure of the Organisation's compliance with the requirements of new accounting standards IFRS9 and IFRS15;
- Amend the bandings of senior management in Note 14 to reflect the correct salary levels;
- Include additional disclosures in the Related Party Transactions in Note 17; and
- Include details of the impact of the Covid-19 pandemic in Note 19.

6. VALUE FOR MONEY ARRANGEMENTS

Our audit approach

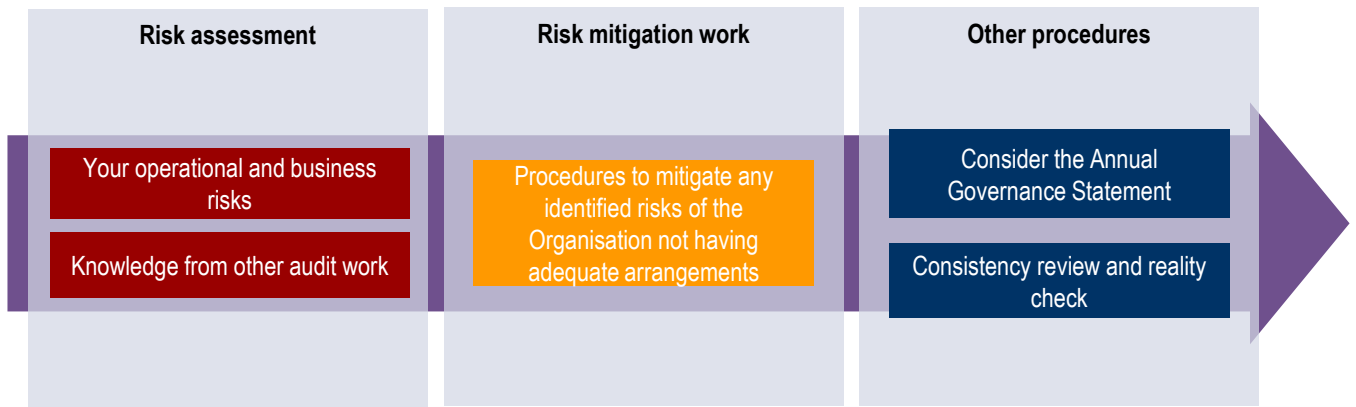
The Organisation has requested that our audit incorporates an element of Value for Money arrangements consideration.

As the audit is a non-statutory appointment there is no nationally applicable programme of work to consider. There is also no requirement to issue a Value for Money conclusion, but the Organisation has requested that we report matters that would be reported if we were required to issue such a conclusion.

In delivering the Organisation’s request we carried out the following procedures:

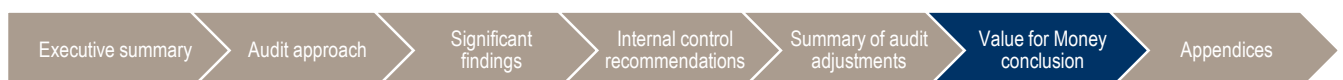
- Considered the Organisation’s business risks that are relevant to our consideration of the arrangements;
- Considered the results of other audit work undertaken on the financial statements; and
- Considered the information reported in the Organisation’s Annual Governance Statement.

Our approach is set out in the diagram below.



Our findings

On the basis of the work carried out we confirm that there are no matters to bring to your attention.



APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

To be provided to us on client headed note paper

[Client address]

[Date]

Dear [Name]

Yorkshire Purchasing Organisation (YPO) – non-statutory audit for the year ended 31 December 2019

This representation letter is provided in connection with your audit of the financial statements of Yorkshire Purchasing Organisation (YPO) for the year ended 31 December 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within YPO you determined it was necessary to contact in order to obtain audit evidence..

I confirm as the Organisation's Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all management and member meetings, have been made available to you..

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Organisation's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Organisation in making accounting estimates, including those measured at current or fair value, are reasonable.

[continued]

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DRAFT MANAGEMENT REPRESENTATION LETTER

In particular I confirm the:

- appropriateness of the measurement process, including related assumptions and models, used by management in determining accounting estimates under the Code, and the consistency of application of the process;
- that the assumptions appropriately reflect YPO's intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures;
- that the disclosures related to accounting estimates are complete and appropriate under the Code;
- that no subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no undisclosed contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against YPO have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

I confirm that YPO has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as the Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting YPO involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting YPO's financial statements communicated by employees, former employees, analysts, regulators or others.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of YPO's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the Property, Plant & Equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that YPO will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Covid-19

I confirm that I have carried out an assessment of the potential impact of the Covid-19 virus pandemic on YPO, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Statement by the Managing Director and the subsequent events note 19 to the financial statements fairly reflects that assessment.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. All uncorrected misstatements are included in this letter as an Appendix.

Yours faithfully

Neil Warren
YPO Chief Finance Officer

APPENDIX B

DRAFT AUDITOR'S REPORT

Independent auditor's report to the members of Yorkshire Purchasing Organisation

Report on the financial statements

Opinion

We have audited the financial statements of Yorkshire Purchasing Organisation ('the Organisation') for the year ended 31 December 2019, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Organisation as at 31st December 2019 and of the Organisation's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law and the terms of our engagement letter dated 10 December 2019. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Organisation in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Organisation's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of matter – Impact of the outbreak of COVID-19 on the financial statements

In forming our opinion on the Organisation's financial statements, which is not modified, we draw your attention to the Organisation's view on the impact of the COVID-19 as disclosed in Note 1, and the consideration in the going concern basis of preparation in Note 1 and non-adjusting post balance sheet events in Note 19.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19, The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The full impact following the recent emergence of the COVID-19 is still unknown. It is therefore not currently possible to evaluate all the potential implications to the Organisation's trade, customers, suppliers and the wider economy.

APPENDIX B

DRAFT AUDITOR'S REPORT

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the Narrative Statement. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Organisation is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Organisation to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the members of Yorkshire Purchasing Organisation, as a body, in accordance with the terms of our engagement letter in connection with the Organisation's decision to prepare non-statutory accounts. Our audit work has been undertaken so that we might state to the members of the Organisation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Organisation, as a body, for our audit work, for this report, or for the opinions we have formed.

Mazars LLP
5th Floor
3 Wellington Place
Leeds
LS1 4AP

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APPENDIX C INDEPENDENCE

Auditor independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent. In particular there are no independence threats from our non-audit work disclosed below.

We also confirm that we have received confirmation from our external experts regarding their independence.



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Senior Manager

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**REPORT TO****AUDIT & SCRUTINY SUB COMMITTEE****3RD JULY 2020****SUBJECT: AUDITED STATEMENT OF ACCOUNTS 2019****REPORT OF: HEAD OF FINANCE**

1 PURPOSE OF REPORT

1.1 To present the audited Statement of Accounts for 2019.

2 SUMMARY

2.1 The Statement of Accounts 2019 has been externally audited, and the auditors have issued an unqualified opinion.

3 BACKGROUND

3.1 In accordance with the Accounts and Audit Regulations, 2015 and considering relevant accounting codes of practice and applicable accounting standards, a Statement of Accounts has been prepared.

3.2 Although the compliance noted in 3.1 is no longer mandatory for YPO, as a Joint Committee, it was agreed at Management Committee in March 2016 that a non-statutory audit would still be needed and the accounts would be prepared in line with the relevant standards and regulations each year going forward.

3.2 The pre-audit Statement of Accounts 2019 was approved for external audit at the Audit and Scrutiny Sub Committee on 14th February 2020.

3.3 The external audit commenced from the 23rd March 2020, due to the restrictions in place following the covid-19 outbreak the audit was carried out remotely. All audit queries were resolved by the w/e 26th June 2020.

- 3.4 A full list of all audit findings and recommendation is contained within the External Audit completion report.
- 3.5 The only changes made throughout the audit which adjusts the financial statements are additional legal costs recognised relating to the proposed acquisition of Findel Education of £0.391m and the addition of a debtors impairment allowance for the discounts offered to our food customers as a result of the system integration issues in December 2019 for £0.094m. The net impact of these changes is a reduction in the full year profits of (£0.485m) to £7.187m and the net deficit for the provision of service increasing by the same amount to (£5.673m).

4 RECOMMENDATION

- 4.1 That the audited Statement of Accounts be approved and signed for 2019.

5 WHAT DOES THIS MEAN FOR YPO STAKEHOLDERS?

- 5.1 An unqualified audit opinion gives stakeholders some assurance that the organisation is acting within the protocols of good financial management.

6 OUTCOME AND SUSTAINABILITY

- 6.1 An unqualified audit opinion is a good outcome and acknowledges that the organisation has effective financial controls and corporate governance.

7 FINANCIAL IMPLICATIONS

- 7.1 The audit fee for 2019 was £23K.

8 LEGAL IMPLICATIONS

- 8.1 There are no legal implications arising from this report.

9 EQUALITY IMPLICATIONS / EQUALITY OF OPPORTUNITY IMPLICATIONS

- 9.1 This report does not have any impact on Equality and Diversity.

10 RISK ASSESSMENT

- 10.1 There is no risk associated with this report.

SERVICE DIRECTOR: PAUL SMITH, DEPUTY MANAGING DIRECTOR

YPO
41 Industrial Park
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WF2 0XE

Telephone No: 01924 834969

E-mail address: paul.smith@ypo.co.uk

CONTACT OFFICERS: MATTHEW HIRST, HEAD OF FINANCE

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APPENDIX:

Appendix 1 – Audited Statement of Accounts 2019

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YORKSHIRE PURCHASING ORGANISATION



**AUDITED
STATEMENT
OF ACCOUNTS
2019**

41 Industrial Park • Wakefield • WF2 0XE

Narrative Statement by the Managing Director

1. INTRODUCTION

This document is the Statement of Accounts for the Yorkshire Purchasing Organisation. The Statement of Accounts shows the Organisation's financial performance for the year ended 31st December 2019. The Narrative Statement provides a guide to the most significant matters in the financial statements.

The Yorkshire Purchasing Organisation (YPO) was established in 1974 to fulfil the supplies requirements of a number of local authorities. The enabling Act of Parliament for the organisation is the Local Authorities (Goods and Services) Act 1970 and its objectives are for the supply of goods and procurement of services to the public sector.

There are currently 13 founder member authorities and seventy one associate member authorities of YPO as of 31st December 2019, although the Organisation trades extensively outside the membership area. Management of the organisation reports periodically to a Management Committee of two elected members from each founder member authority.

The membership consists of:

Founder Member Authorities

Barnsley MBC	North Yorkshire CC
Bolton MBC	Rotherham MBC
City of Bradford MC	St Helens MBC
MB of Calderdale	City of Wakefield MDC
Doncaster MBC	Wigan MBC
Kirklees MC	City of York Council
Knowsley MBC	

Associate Member Authorities

first year of membership

Bury Metropolitan Borough Council	2011
Cumbria City Council	2011
Durham City Council	2011
Leeds City Council	2011
North East Lincolnshire Council	2011
North Lincolnshire Council	2011
Sheffield City Council	2011
Cheshire East Council	2012
East Riding of Yorkshire Council	2012
Hull City Council	2012
Rochdale Metropolitan Borough Council	2012
South Yorkshire Fire and Civil Defence Authority	2012
South Yorkshire Police Authority	2012
Stockport Metropolitan Borough Council	2012
Trafford Council	2012
Warrington Borough Council	2012
West Yorkshire Fire and Civil Defence Authority	2012
West Yorkshire Police Authority	2012
Blackpool Borough Council	2013
Lancashire Fire & Rescue Service	2013
London Borough of Hillingdon	2013
Malvern Hills District Council	2013
Manchester City Council	2013
Northumberland County Council	2013
Staffordshire City Council	2013
West Midlands Fire & Rescue Authority	2013
Wiltshire Fire and Rescue Service	2013
Wyre Forest District Council	2013
Birmingham City Council	2014
Kettering Borough Council	2014
London Borough of Harrow	2014
Tameside Council	2015
Lancaster City Council	2015
Walsall Council	2015
Cheshire Fire and Rescue Service	2016
Coventry City Council	2016
Craven District Council	2016

Narrative Statement by the Managing Director

Fylde Council	2016
Greater Manchester Fire and Rescue	2016
Greater Manchester Police	2016
Halton Borough Council	2016
Lancashire Police	2016
London Borough of Brent	2016
London Borough of Hackney	2016
London Borough of Waltham Forest	2016
Liverpool City Council	2016
Merseyside Fire and Rescue Service	2016
Merseytravel	2016
Oldham Council	2016
Salford City Council	2016
Sefton Borough Council	2016
Solihull Metropolitan Borough Council	2016
Wyre Council	2016
Allerdale Borough Council	2017
Devon County Council	2017
London Borough of Camden	2017
London Borough of Haringey	2017
London Borough of Westminster	2017
Pendle Borough Council	2017
Buckinghamshire County Council	2018
Harrogate Borough Council	2018
Humberside Police Service	2018
North Yorkshire Police Service	2018
Police and Crime Commissioner for Merseyside	2018
Telford and Wrekin Council	2018
Cheshire West and Chester Council	2019
Lancashire County Council	2019
London Borough of Islington	2019
Oxfordshire County Council	2019
Police and Crime Commissioner for Cleveland	2019
Thames Valley Police	2019

Certain services, including legal, treasury and internal audit, are provided by the City of Wakefield MDC in accordance with arrangements agreed by the Management Committee.

Associate membership allows for attendance at the public section of all committee meetings but does not carry voting rights.

2. ACCOUNTABILITY AND FINANCIAL REPORTING

There is no longer a statutory requirement for YPO, as a Joint Committee, to have an external audit. However, in March 2016 the Management Committee and Section 151 Officer of the lead authority agreed that YPO should continue to prepare, each year, a statement of accounts in accordance with the C.I.P.F.A Code of Practice that is subject to an external audit.

As a result this will be a non-statutory audit meaning that compliance with the Accounts and Audit Regulations 2015 is not mandatory.

We have continued to categorise our Reserves as "Usable" and "Unusable" in line with the C.I.P.F.A Code of Practice. This is purely for presentational needs and we acknowledge that any powers attributed to this classification no longer applies to the organisation.

3. THE STATEMENTS

The financial activity of the Organisation in relation to the service it provides is shown through a number of key financial statements and notes:

Core Statements

The Movement In Reserves Statement shows the movement in year on the different reserves held by the Organisation.

The Comprehensive Income and Expenditure Account summarises the income and expenditure of the Organisation during the year.

The Balance Sheet shows the value as at the 31st December 2019 of the assets and liabilities recognised by the Organisation. The net assets of the Organisation (assets less liabilities) are matched by the reserves held by the Organisation.

Narrative Statement by the Managing Director

The Cash Flow Statement shows the changes in cash and cash equivalents of the Organisation during the reporting period. The statement shows how the Organisation generates and uses cash and cash equivalents by classifying cash flows between operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the Organisation are performing. Investing activities represent the extent to which cash inflows have been made for resources which are intended to contribute to the Organisations future operations.

The Statement of Responsibilities for the Statement of Accounts sets out the respective responsibilities of the organisation and the Chief Finance Officer at WMDC for the Statement of Accounts.

The Annual Governance Statement sets out the framework designed to ensure that the organisation operates a sound system of internal control which facilitates the effective exercise of its operations, and which includes arrangements for the management of risk. Whilst it is not a requirement to be part of this Statement of Accounts it is attached as appendix A to this statement to aid the user to better understand the governance arrangements in force within the Organisation.

4. FINANCIAL SUMMARY

The 2019 budget approved in November 2018 was for a turnover of £114.6m and a surplus of £8.357m, excluding any income for pensions interest or expenditure financed from earmarked reserves.

The full year performance of the Organisation has been significantly impacted by the implementation of a new ERP system at the end of November / beginning of December. The initial impact was a loss of 4 trading days at the end of November, however a delay in resuming full operational activities further impacted the number of orders fulfilled in December and resulted in financial impacts as a result of duplicated and missing orders, plus additional resources required to resolve the issues.

Invoiced sales for the year are £110.7m and the reported surplus on trading of £7.672m is under the budget set of £8.357m by £0.685m, this excludes any income for pensions interest or expenditure financed from earmarked reserves.

The shortfall in sales is as mentioned mainly a result of the IT system change, it is possible that some of the shortfall can be recovered in 2020 and further validation work is ongoing to quantify this.

Income from stock and framework contracts at £5.8m were under the budget of £6m, mainly due to our Emergency Services and Furniture categories under-achieving. This has been partially offset by a better performance from Corporate and Financial services, Food and Fleet frameworks.

Operating costs for 2019 were £32.098m, £0.777m over budget and £2.080m above 2018. The main overspends in the year were across supplies and services and mainly stocktake adjustments. Further additional costs were incurred on sponsorship fees and 3PL deliveries. Partially offsetting these overspends are people savings due to the vacancies that we have held during the year.

Also incurred in the year were exceptional legal and professional costs relating to the proposed acquisition of Findel Education Limited. These costs mainly relate to due diligence work carried out by Walker Morris and PWC so far total £0.424m. Further costs are expected as await confirmation of these fees. The treatment of the costs is currently being assessed, provisionally they have been expensed through the I&E account but we are looking into the option of capitalisation. Any changes in accounting treatment will be disclosed during the finalisation of the audited accounts.

Included in overheads are initial the savings expected from the ERP implementation due to a cleanse of historical purchase order data, however as mentioned these savings have been partially utilised by the additional costs incurred following go live, as detailed above.

In 2019 £0.456m of expenditure was funded through the internal earmarked reserve funds. This was planned expenditure approved at the November 2017 and November 2018 Management Committees.

Trade debtors are at £9.6m, up on 2018. This is combination of a delay in producing invoices in December which in turn slowed down the payment collection process, this has been offset by reduced turnover in the year.

The net liabilities of the organisation as at 31st December 2019 are (£1.2m), significantly down on the £14.483m in last years accounts. Net current assets have remained stable and are at a similar position to that of last year and it is the significant movement across our pension liability of (£15.6m) which has created a negative balance sheet position. A reduction in the rate used for discounting the scheme's liabilities the main contributor to the change. It is important to note these are theoretical long term liabilities and the strong financial position of the Organisation is reflected in it's working capital position.

On the Balance Sheet is also an amount of £0.5m shown as Debtors: Amounts due after more than one year, this represents a loan issued to one of our related parties, YPO Procurement Holdings. A loan agreement has been drawn up and the full amount plus the accrued daily interest is repayable in full by the end of 2030.

Narrative Statement by the Managing Director

Cash flow movement in the year has increased the cash at bank balances by £1m. This reflects the operating performance of the organisation in the year and reconciles to the in-year profits, dividends paid, capital expenditure and loans issued. It also reflects the movements in stock, debtors and creditors for the year. The loans issued relates to £0.5m paid to YPO Procurement Holdings Limited, the purpose of the loan was to enable YPO Procurement Holdings Limited to invest in EdTech Impact Limited in the year.

No capital expenditure was incurred in the year. However, should the treatment of the acquisition transaction costs be revised these notes will be amended accordingly.

An agreed dividend distribution of £7.850m for the trading year 2018 was distributed in October 2019. This distribution, as last year, included all customers.

5. RETIREMENT BENEFITS

The value of the organisation's retirement benefits liability as at 31 December 2019 was £42.1 million (31 December 2018 £26.5 million). This significant increase is due to a reduction in the rate used to discount the schemes liabilities from 2.9% to 2.0%

The employer's contribution rate was 14.4% in 2019. (see note 7 to Core Financial Statements - Retirement Benefits)

International Accounting Standard (IAS) 19 - Employee Benefits which covers pension accounting was revised in 2011 and applies to the Organisation's statements from 2014 onwards.

6. SIGNIFICANT MATTERS

The budget submission for the 2019 financial year was given approval by the Management Committee at the meeting in November 2018. The budget was built on assumptions of sales growth on our core business from 2018, an efficient procurement & sourcing process and an increase in our contractual rebate income for the year.

A dividend distribution of £7.850m declared in respect of the 2018 trading year, was distributed in October 2018. This included a non cash loyalty bonus of £1.570m payable to individual customers by way of a voucher to be used against future purchases of product.

YPO Procurement Holdings and its subsidiary YPO Supplies Ltd began trading with YPO Joint Committee in 2014. Board members for YPO Procurement Holdings and YPO Supplies are also members of the Joint Committee board and therefore all transactions in 2019 between the above companies are classed as related party transactions.

7. MEDIUM TERM FINANCIAL STRATEGIES

The 2020 Budget was approved by the Management Committee in November 2019 for the final year of our three year strategy. This strategy focuses on relevance and the importance of YPO remaining relevant not only to their owners and various customer groups but also to an ever changing marketplace. This will ensure we remain competitive whilst continuing to deliver value for money to all public sector organisations when procuring goods and services.

A medium term financial strategy has also been drawn up alongside the 2020 budget, this assesses the implications today's actions will have over the next 2-5 years and what impact it will have on future profits and financial position.

Within the medium term financial strategy we have prudently estimated that our sales demand remains at current volumes plus inflation over the planning period. This along with an expected growth within our rebates business and a continued focus on efficiencies within our overheads should see net profits increased by 2023.

Simon Hill
Managing Director

Statement of Responsibilities

THE ORGANISATION'S RESPONSIBILITIES

The Organisation is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Organisation that officer is the Chief Finance Officer of the Serving Authority, Wakefield MDC. Day to day financial management is the responsibility of the Managing Director YPO.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

THE RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER

The Chief Finance Officer is responsible for the preparation of the Organisation's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the code).

In preparing this statement of accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the local authority Code.

The Chief Finance Officer has also:

- kept proper accounting records which were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CHIEF FINANCE OFFICER

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Yorkshire Purchasing Organisation at 31st December 2019 and its Income and Expenditure for the year then ended.

Signed

Date.....

NEIL WARREN
Chief Finance Officer

APPROVAL OF THE ACCOUNTS

As the Chair of the body considering the Yorkshire Purchasing Organisation's Statement of Accounts for 2019, I certify that the Accounts have been approved by the Management Committee and are authorised for issue.

Signed.....

Date.....

Cllr LES SHAW
Chairperson YPO Management Committee

Auditors Opinion

Auditors Opinion

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement in year on the different reserves held by the Organisation. The surplus (deficit) on Operations line shows the true economic cost of operational activity in the year more details of which, are shown in the Comprehensive Income and Expenditure Statement. The Net increase/(decrease) before transfer to Earmarked Reserves line shows the General Fund Balance prior to any discretionary transfers to or from earmarked reserves applied by the Organisation.

2018	£000's										Note
	Usable Reserves			Unusable Reserves				Total Usable reserves	Total Unusable reserves	Total Reserves	
	General Fund Balance	Capital Receipt Reserve	Internal Investment Reserve	Joint Committee Capital Adjustment Account	Earmarked Pension Reserve	Earmarked Accumulated absences account	Revaluation Reserve				
Balance as at 31 December 2017	28,261	85	1,696	10,327	(25,571)	(111)	0	30,042	(15,355)	14,687	
Movement in Reserves during 2018											
Surplus or (Deficit) on Operations	(2,189)	0	0	0	0	0	0	(2,189)	0	(2,189)	
Other Comprehensive Income	0	0	0	0	1,829	0	156	0	1,985	1,985	
Total Comprehensive Expenditure and Income	(2,189)	0	0	0	1,829	0	156	(2,189)	1,985	(204)	
Adjustments between accounting basis and funding basis under regulation	0	0	0	0	0	0	0	0	0	0	
Net Increase / (Decrease) before transfer to Earmarked Reserves	(2,189)	0	0	0	1,829	0	156	(2,189)	1,985	(204)	
Transfer (to) / from Earmarked Reserves	3,528	0	(1,086)	298	(2,751)	11	0	2,442	(2,442)	(0)	
Increase / (Decrease) in Movement in Year	1,339	0	(1,086)	298	(922)	11	156	253	(457)	(204)	
Balance as at 31 December 2018	29,600	85	610	10,625	(26,493)	(100)	156	30,295	(15,812)	14,483	13
2019	£000's										Note
	Usable Reserves			Unusable Reserves				Total Usable reserves	Total Unusable reserves	Total Reserves	
	General Fund Balance	Capital Receipt Reserve	Internal Investment Reserve	Joint Committee Capital Adjustment Account	Earmarked Pension Reserve	Earmarked Accumulated absences account	Revaluation Reserve				
Balance as at 31 December 2018	29,600	85	610	10,625	(26,493)	(100)	156	30,295	(15,812)	14,483	
Movement in Reserves during 2019											
Surplus or (Deficit) on Operations	(5,673)	0	0	0	0	0	0	(5,673)	0	(5,673)	
Other Comprehensive Income	0	0	0	0	(10,621)	0	126	0	(10,495)	(10,495)	
Total Comprehensive Expenditure and Income	(5,673)	0	0	0	(10,621)	0	126	(5,673)	(10,495)	(16,168)	
Adjustments between accounting basis and funding basis under regulation	0	0	0	0	0	0	0	0	0	0	
Net Increase / (Decrease) before transfer to Earmarked Reserves	(5,673)	0	0	0	(10,621)	0	126	(5,673)	(10,495)	(16,168)	
Transfer (to) / from Earmarked Reserves	5,520	0	44	(491)	(4,985)	(85)	(4)	5,565	(5,565)	0	
Increase / (Decrease) in Movement in Year	(153)	0	44	(491)	(15,606)	(85)	122	(109)	(16,060)	(16,168)	
Balance as at 31 December 2019	29,447	85	654	10,134	(42,099)	(185)	279	30,186	(31,871)	(1,685)	13

Comprehensive Income and Expenditure Account

2018 £'000		2019 £'000	Note
112,881	<i>Invoiced Turnover</i>	110,745	6
<u>(81,102)</u>	<i>Cost of Sales</i>	<u>(79,027)</u>	
31,779	<i>Gross Margin</i>	31,718	
4,773	Rebates	5,812	6
1,990	Other Income	2,242	6
<u>38,542</u>	<i>Gross Surplus</i>	<u>39,773</u>	
	<i>Operating Expenses</i>		
(17,719)	Employees	(18,779)	
(984)	Premises	(1,004)	
(7,051)	Supplies and Services	(7,742)	
(4,685)	Transport	(4,726)	
(127)	S.L.A. Costs	(127)	
(0)	Financial and Miscellaneous	(173)	
(191)	Depreciation and revaluation increase/(decrease)	(495)	8
(2,138)	Pension service gain(cost) net of charges made to the general fund	(4,246)	7
<u>(32,896)</u>	<i>Net Operating Expenditure</i>	<u>(37,292)</u>	
<u>5,647</u>	<i>Surplus/(deficit) on trading operations</i>	<u>2,481</u>	
	<i>Other Operating expenditure</i>		
0	Gain/(Loss) on Disposal of Property, Plant and Equipment	0	
<u>0</u>		<u>0</u>	
	<i>Financing and investment income and expenditure</i>		
(16)	Impairment Losses - Increase in allowance in the year	(94)	
(613)	Pensions Interest Cost and Expected Return on Pension Assets	(739)	7
47	Interest Receivable	97	
(7,253)	Dividend paid	(7,419)	
<u>(7,836)</u>		<u>(8,154)</u>	
<u>(2,189)</u>	<i>Surplus/(Deficit) on provision of service</i>	<u>(5,673)</u>	
	<i>Other Comprehensive income and expenditure</i>		
1,829	Actuarial gains / (losses) on pension assets / liabilities	(10,621)	
156	Gains / (losses) on revaluations of PPE and depreciation	126	
1,985		(10,495)	
<u>(204)</u>	<i>Total comprehensive Income and Expenditure</i>	<u>(16,168)</u>	

BALANCE SHEET

The Balance Sheet shows the value as at 31st December 2019 of the assets and liabilities recognised by the Organisation. The net assets of the Organisation (assets less liabilities) are matched by the reserves held by the Organisation.

31st Dec 2018		31st Dec 2019	Note
<u>£'000</u>		<u>£'000</u>	
	Long term Assets		
10,257	Property, Plant and Equipment	9,913	8
70	Intangible Assets	46	8
<u>500</u>	Debtors: Amounts due after more than one year	<u>500</u>	
<u>10,828</u>	Total Long Term Assets	<u>10,459</u>	
	Current Assets		
14,456	Inventories	13,690	9
13,137	Short term debtors	14,969	10
<u>9,954</u>	Cash and cash equivalents	<u>10,970</u>	
<u>37,547</u>	Total Current Assets	<u>39,629</u>	
	Current Liabilities		
<u>(7,247)</u>	Short term creditors	<u>(9,577)</u>	11
<u>(7,247)</u>	Total Current Liabilities	<u>(9,577)</u>	
<u>30,300</u>	Net Current Assets	<u>30,052</u>	
	Long term Liabilities		
(151)	Liability relating to Finance Leases	(96)	
<u>(26,493)</u>	Liability relating to Defined Benefit Pension Scheme	<u>(42,099)</u>	7
<u>14,483</u>	Net Assets / (Net Liabilities)	<u>(1,685)</u>	
	Financed by:		
	Usable Reserves		
29,600	General Fund	29,447	
85	Usable Capital Receipts Reserve	85	13
610	Internal Investment reserve	654	13
	Unusable Reserves		
10,625	Joint Committee Capital Adjustment Account	10,133	13
(26,493)	Pension Reserve	(42,099)	13
(100)	Earmarked Accumulated Absences Account	(185)	13
156	Revaluation Reserve	279	13
<u>14,483</u>	Total Reserves	<u>(1,685)</u>	

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash, and cash equivalents, of the Organisation during the reporting period. The statement shows how the Organisation generates and uses cash, and cash equivalents, by classifying cash flows between operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the Organisation are performing. Investing activities represent the extent to which cash inflows have been made for resources which are intended to contribute to the Organisation's future operations.

2018		2019
£'000		£'000
(2,189)	Net surplus/(deficit) on the provision of service	(5,673)
	Adjustment to the net surplus/(deficit) for non cash movements	
177	Depreciation and revaluation increase/(decrease)	440
(1,707)	(Increase)/Decrease in Inventories	766
1,517	(Increase)/Decrease in Debtors	(1,832)
2,751	(Increase)/Decrease in Pension Liability	4,985
(790)	Increase/(Decrease) in Creditors	2,330
(1,132)	Redemption of loyalty vouchers	(1,028)
<u>817</u>		<u>5,661</u>
	Adjustments for items included in the net surplus/(deficit) that are financing/investing activities	
0	Proceeds from sale of PPE	0
7,253	Dividend payment	7,419
7,253		7,419
5,881	Net cash flows from operating activities	7,406
	Investing Activities	
(489)	Purchase of PPE	0
0	Proceeds from Sale of PPE	0
(489)		0
	Financing Activities	
(500)	Loans issued	0
(6,122)	Dividends paid to Members	(6,390)
(6,622)		(6,390)
(1,229)	Net Increase/(Decrease) in Cash and Cash Equivalents	1,016
11,183	Cash and Cash Equivalents at the beginning of the reporting period	9,954
9,954	Cash and Cash Equivalents at the end of the reporting period	10,970

Note on operating activities		
	The cash flows from operating activities include the following items	
47	Interest Receivable	97
47		97

Notes to the Core Financial Statements

The following notes provide more detailed information in order to assist understanding of the main financial statements.

1. STATEMENT OF ACCOUNTING POLICIES

GENERAL PRINCIPLES

As a Joint Committee, YPO is no longer required to comply with the Accounts and Audit regulations 2015. However, it has been agreed that YPO will continue to produce a statement of accounts in accordance with the C.I.P.F.A Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS).

The Organisation recognises that the Comprehensive Income and Expenditure Statement does not fully comply with the Code of Practice by not including a service analysis. This is due to the Organisation being a single service business operation with no reliance on external funding, or having any direct impact on the finances of any member authority. Additionally the Organisation's status as a joint committee prevent it from taking advantages of certain statutory overrides contained within the code.

The Organisation has complied with the Code of Practice in all other respects and has concluded that the financial statements present a true and fair view of the authority's financial position, financial performance and cash flows.

The following policies have been adopted in compiling the accounts:

Fundamental Accounting Concepts:

- The accounts have been prepared on a historical cost basis, except that certain categories of assets are re-valued at regular intervals.
- The revenue and capital accounts are maintained on an accruals basis. This means that expenditure and income are recognised in the accounts in the period in which they are incurred or earned, not as money is paid or received. Income is also matched with associated costs and expenses as far as the relationship can be established or justifiably assumed.
- Consistent accounting policies have been applied both within the year and between years. Where accounting policies are changed, the reason and effect have been separately disclosed.
- Income has only been recognised within the accounts where there is a reasonable certainty, and proper allowances have been made for all foreseeable losses and liabilities.
- The accounts have been prepared on a going concern basis. The impact of the Covid-19 pandemic has been considered when reaching this assessment. However, during this time we haven't identified any material uncertainties and the period considered is not less than 12 months from the date of preparing these accounts. The factors we have considered in reaching this judgement include the fact that YPO has remained operational and continued supplying the public sector with food and other essential goods during this period, in addition is the continued support we have received from our lead authority, the nature of our customers means that outstanding invoices will be paid and cash will continue to flow into the business and extensive financial modelling has taken place to assess the impact of this outbreak and prepare us for any scenario.
- The accounting statements have been prepared so as to reflect the reality or substance of the transactions and activities underlying them, rather than their formal legal character.
- As allowed under the Code the concept of materiality has been utilised in the process of preparing the accounts, such that insignificant items and fluctuations under an acceptable level of tolerance are permitted provided that in aggregate they would not affect the interpretation of the accounts by an informed reader.
- Where estimating techniques are required to enable the accounting practices adopted to be applied, the techniques which have been used are, in YPOs view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, where practical, the effect on the results for the current period are separately disclosed, Note 4 to the core financial statements provides further details.
- In accordance with the Code, where an accounting treatment is prescribed by law, then it has been applied, even if it contradicts accounting standards or generally accepted accounting concepts.

a. ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular debtors and creditors for revenue and capital transactions are accrued, except for certain cases which are not considered material. For items of this nature, a consistent approach is adopted.

b. TURNOVER

Turnover is the value of invoiced sales during the year, adjusted for the value of deliveries prepared to 31st December for which invoices were not raised until January. Rebates refer to the value of commission earned on contractual activity in the year. Other income includes marketing support for catalogue production and promotion.

c. OVERHEADS

The Organisation is a single service entity and as such all overhead costs are included in the revenue account inclusive of accruals prepayments for the period to which they relate.

d. COMPONENTISATION OF NON CURRENT ASSETS

Non Current assets valued through the Organisation's five year programme of valuations are assessed for any significant components, where the value of the asset is greater than £1 million on revaluation. If an individual component's value is deemed by the business to be significant in relation to the total value of the asset then that component will be depreciated separately.

Capital expenditure is monitored throughout the year and included in the budget and business planning process to identify

Notes to the Core Financial Statements

replacement or changes of a significant component on non current assets.

The carrying value of any component being replaced will be charged to the revenue account as a disposal. This balance is then reversed out of the General Fund in the Movement in Reserves Statement and posted to the Joint Committee Capital Adjustment Account.

e. NON CURRENT ASSETS

- i) Expenditure on the acquisition, creation or enhancement of non current assets , with a value in excess of £5,000, is capitalised on an accruals basis, provided they have an estimated life in excess of one year. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits is charged as an expense when it is incurred. All expenditure on non current assets that is capitalised is recognised in the Organisation's Asset Register and Balance Sheet and depreciated over the useful life of the asset.
- ii) The different categories of non current assets are valued differently. Non current assets not classed as land and buildings are valued at purchase price plus any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- iii) Non-current Assets classed as land and buildings, which are included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from the fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified the accounting treatment is that the carrying amount of the asset is written down against any revaluation gain in the Revaluation Reserve or where there is no, or insufficient balance in the Revaluation Reserve the asset is written down against the Comprehensive Income and Expenditure Account.

The latest valuation date of land and buildings was 10th December 2019, and was carried out by J Duck FRICS of NPS Humber Ltd.

- iv) Land and buildings are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where an impairment of land and buildings has been recognised it is accounted for as a charge in the Comprehensive Income and Expenditure Statement where there is no or insufficient accumulated gains in the Revaluation Reserve against which all losses can be written off.

Where an impairment loss is reversed subsequently, the reversal is credited to the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

- v) Where a revaluation loss on land and buildings is recognised as part of a review or a valuation exercise it is accounted for as a charge against the Comprehensive Income and Expenditure Account where there is no or insufficient accumulated gains in the Revaluation Reserve which all losses can be written off.
- vi) When a non-current asset is disposed of, or decommissioned, any gain or loss on the disposal is credited or charged to the Comprehensive Income and Expenditure Statement. The gain or loss is calculated by reference to the difference between the sale proceeds of the asset and the value of the asset in the balance sheet plus any material costs of disposal. Any revaluation gains in the Revaluation Reserve, relating to the asset disposed of, are transferred to the Joint Committee Capital Adjustment Account.

Receipts from disposals are credited to the Usable Capital Receipts Reserve and can be used for new capital investment. Receipts are appropriated to the Usable Capital Receipts Reserve from the Movement in Reserves Statement.

- vii) Depreciation has been provided for using the straight-line method on Buildings (excluding land), Vehicles and Equipment and is charged from the time the asset becomes operational. The useful lives of the various assets held on the Asset Register are as follows:

Freehold Buildings	2019
41 Industrial Park	42 years
Flanshaw Way	38 years
Motor Vehicles	up to 5 years
Warehouse and Office Equipment	up to 15 years
Computers	up to 5 years

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated with an amount equal to the difference between the current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Joint Committee Capital Adjustment Account.

f. INTANGIBLE ASSETS

Intangible assets are assets that do not have any physical substance but which the Organisation controls access to the future economic benefits derived from them, either through custody or legal protection.

Notes to the Core Financial Statements

Expenditure on intangible assets is subject to the same recognition criteria as tangible non-current assets as stated in note d. Intangible assets will be brought on to the Balance Sheet at cost and amortised on a straight line basis over the period for which benefit is received. It is assumed there will be nil residual value. Annual reviews of the value of intangible fixed assets will be undertaken.

Amortisation has been provided for using the straight line method on Intangible assets and is charged from the time the asset becomes operational. The useful life of the Intangible assets held on the Register are as follows:

Internally generated & Software intangible assets - IT & Website Development/Testing & Project management - 3 years

g. RESERVES

The Organisation sets aside specific amounts as reserves for future purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure financed from a reserve is incurred, it is charged to the Consolidated Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement.

The Organisation differentiates between usable and unusable reserves on the basis contained within the Code however certain statutory overrides allowable by statute to Local Authorities and contained within the Code are not available to a joint committee. Where this is the case the Organisation has voluntarily adopted the principles of the Code.

h. EMPLOYEE BENEFITS

The Organisation accounts for employee benefits in accordance with the requirements of IAS 19.

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non monetary benefits (e.g. cars) for current employees and are recognised as an expense in the year in which employees render service. An accrual is made for the cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at average salary rate. The accrual is charged to the Comprehensive Income and Expenditure Statement but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Organisation to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accrual basis to the relevant line in the Comprehensive Income and Expenditure Statement.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Organisation to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Organisation are members of the Local Government Pensions Scheme known as the West Yorkshire Pension Fund and administered by Bradford Council. The scheme is a defined benefit scheme providing employees with a retirement lump sum and pension.

The Local Government Pension Scheme

The liabilities of the West Yorkshire Pension Fund attributable to the Organisation are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.0% on funded liabilities and 2.0% on unfunded liabilities (based on a weighted average of "spot yields" on AA rated corporate bonds).

The assets of West Yorkshire Pension Fund attributable to the Organisation are included in the Balance Sheet at their fair value:

- . quoted securities - current bid price
- . unquoted securities - professional estimate
- . unitised securities - current bid price
- . property - market value

The change in the net pensions liability is analysed into seven components:

Current service cost - the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement.

Notes to the Core Financial Statements

Past service cost - the increase / decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Comprehensive Income and Expenditure Statement.

Interest Cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid debited to the Comprehensive Income and Expenditure Statement

Expected return on Assets - the annual investment return on the fund assets attributable to the Organisation, based on the average of the expected long term return credited to the Comprehensive Income and Expenditure Statement.

Gains or losses on settlements and curtailments - the result of actions to relieve the Organisation of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Comprehensive Income and Expenditure Statement.

Actuarial Gains and Losses - Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve.

Contributions paid to the West Yorkshire Pension Fund - cash paid as employers contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Organisation to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits

The Organisation has limited powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Scheme.

i. TAXATION

YPO, as a Joint Committee owned by local authorities, is exempt from Income, Corporation and Capital Gains Taxes. Income and expenditure normally excludes amounts relating to Value Added Tax (VAT), as VAT collected is payable to HM Revenue and Customs and VAT paid is normally recoverable from them. Exceptionally, if VAT is irrecoverable it is charged to revenue expenditure or capital expenditure as appropriate.

j. EXCEPTIONAL ITEMS AND PRIOR YEAR ADJUSTMENTS

Any material exceptional items are separately disclosed in the accounts.

Any material prior period adjustments arising from changes in accounting policies or from the correction of fundamental errors will be accounted for by restating the comparative figures in the financial statements and notes, together with the cumulative effect on reserves. The effect of any material prior period adjustments will be disclosed separately as a note to the Core Financial Statements.

k. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are reflected in the accounts up to the date when the Statement of Accounts was authorised for issue and are accounted for in accordance with IAS10.

Where an event arises which provides additional evidence relating to conditions existing at the Balance Sheet date, or which indicates that application of the going concern concept to the Organisation is not appropriate (an adjusting event), then adjustments have been made to the accounts, where the amounts are material .

Any material event, which concerns conditions that did not exist at the Balance Sheet date (a non-adjusting event), has been disclosed as a note to the Core Financial Statements. The note states the nature of the event and, where possible, an estimate of its financial effect.

l. INTEREST RECEIVABLE/PAYABLE

All Interest is recognised in the Financial Statements during the period in which it became due for payment to or by the Organisation.

m. INVENTORIES

Inventories are valued at average cost, and shown in the accounts at the lower of cost or net realisable value.

n. LEASES

The Organisation accounts for leases in accordance with the requirements of IAS17.

YPO accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to YPO. Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding lease obligation (deferred liability). Non-current Assets held under finance leases are accounted for as part of Property, Plant and Equipment.

Notes to the Core Financial Statements

Rentals payable under operating leases are charged to revenue on a straight line basis over the term of the lease even if this does not match the pattern of payments (e.g. quarterly billing straddling an accounting period).

o. CONTINGENT LIABILITIES & ASSETS

Contingent liabilities are not accrued in the accounting statements. Material contingent liabilities are identified in a note to the core financial statements if there is a possible obligation, which may require a payment or transfer of economic benefits.

p. PROVISIONS

Provisions are recognised in the accounts in accordance with IAS 37, where:

- i) The Organisation has a present obligation (legal or constructive) as a result of a past event,
- ii) It is probable that a transfer of economic benefits will be required to settle the obligation, but the timing of the transfer is uncertain; and
- iii) A reliable estimate can be made of the amount of the obligation.

Contributions to provisions are charged to the appropriate revenue account and any subsequent expenditure arising, to which the provision relates, is charged to the provision. The level of each provision is reviewed at the year end and, if appropriate, adjusted by reversing the contribution to the provision and crediting the relevant revenue account.

Provisions are classified as long term (in excess of twelve months) and short term (less than twelve months).

q. FINANCIAL INSTRUMENTS

The Organisation's financial instruments are represented by bank balances, investments, loans receivable, trade creditors and trade debtors.

Bank balances are represented by cash balances held in UK bank accounts and are shown on the face of the Balance Sheet. Interest earned on balances are credited to the Comprehensive Income and Expenditure Statement.

Investments made with other organisations earn a fixed interest agreed at the time of investment and are for a fixed term. Interest earned on investments are credited to the Comprehensive Income and Expenditure Statement.

Loans receivable constitute loans issued by the organisation, all loans accrue interest on a daily basis and are for a fixed term.

Trade debtors are stated in the Balance Sheet at historical cost. Irrecoverable debt is written off in the Comprehensive Income and Expenditure Statement. The Organisation is restricted to dealing with customers in the Public Sector and therefore its exposure to bad debt is minimised.

Trade Creditors are carried at historical cost and represent amounts owing to third party suppliers. Creditor accounts are settled on a cash basis when:-

- . satisfactory provision of the goods or service has been performed
- . there is reasonable evidence that the goods or service is imminent or substantially complete
- . an agreed contractual obligation exists to remit payment.

The Organisation has developed a global sourcing programme leading to increased trade with non euro zone suppliers. Every reasonable action to minimise the risk associated with sourcing product from non UK based suppliers has been taken.

r. ESTIMATION TECHNIQUES

This statement of accounts includes estimated figures for income due from suppliers in respect of marketing contributions and rebates earned on contractual business. The estimations are based on a prudent approach utilising prevailing market conditions, historical knowledge and contracted agreements.

Additionally estimates are included on valuations of certain elements of property, plant and equipment, inventory and the pension fund. These estimates are provided by third parties holding relevant professional qualifications and are disclosed in the relevant notes to these accounts.

s. CASH & CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments made with other local authorities which earn a fixed interest rate over a specific term, usually for a period of 6 to 12 months.

Notes to the Core Financial Statements

t. FOREIGN CURRENCY TRANSLATION

Where business transactions are processed in a currency other than Sterling the Sterling value at the point of the currency translation has been used. Where the amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate as at the 31 December. Resulting gains or losses are recognised in the Comprehensive Income and Expenditure Statement.

u. DEBTORS

Debtors are represented by balances due to the Organisation on trading activities net of an impairment allowance for bad or doubtful debt. They are stated at historical cost.

v. CREDITORS

Creditors are represented by balances owed by the Organisation on trading activities they are stated at historical cost. Creditor amounts due in foreign currencies at the end of the accounting period are re-stated on the prevalent conversion rate as at 31st December.

w. IMPACT OF ACCOUNTING STANDARDS ADOPTED SINCE THE LAST ACCOUNTING PERIOD

The Organisation has been impacted through adopting IFRS 15 and IFRS 9 in this accounting period.

IFRS 15 - Revenue from contracts with customers. The steps to apply when recognising revenue is relevant given the nature of the Organisation. All income streams adhere to the criteria and revenue is only recognised when the performance obligations have been fulfilled. Income from our stock and food business, where orders are fulfilled by the Organisation, is recognised once delivery to the customer has been confirmed. The biggest impact is across our direct supply orders, where fulfilment is carried out by third party suppliers, we ensure that income is only recognised when confirmation and proof of delivery to the customer has been provided by the third party provider.

IFRS 9 - Financial Instruments. The amendments to recognition, measurement and impairments criteria have been adopted. Particularly with regards to the impairment provision calculations for amounts owed to the organisation. Due to the simple nature of the Organisation's financial assets the impact of this standard is minimal. Any assets that arise in the future and require a different treatment will be done so in line with this standard.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

The Code of Practice on Local Authority Accounting 2018/19 requires the Organisation to disclose information relating to the impact on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Organisation. There are no new accounting standards due to come into force in the next year.

The Organisation does not expect any significant changes however all the standards will be fully assessed and adopted where necessary in the 2020 Statement of Accounts.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying these accounting policies the Organisation has made certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are :

Application of code provisions

Judgements have been made with regards to applying the code provisions for Local Authorities to YPO, a Joint Committee. We recognise that certain provisions of the code do not apply to the Organisation, including certain disclosures concerning the General fund and usable / unusable reserves. However, we have continued to do so for presentational and decision making purposes and acknowledge that any powers attributed to this classification no longer applies to the Organisation.

Leasing

The Organisation has reviewed all classes of leases held by the Organisation and concluded that all existing leases to the 31st December 2019 constitute operating leases and therefore have no impact on the re-statement to an IFRS basis of accounting. This is with the exception of a lease agreement for the supply of IT equipment has been classified as a Finance lease due to all the risks and rewards relating to the leased equipment transferring to YPO, details of this lease are included within note 15 of this statement.

Related Party Transactions

The Organisation trades extensively with its owning authorities however, as no one particular authority can exert any controlling influence over the Organisation and all transactions are on an arms length basis they are not classified as related parties in this statement of accounts. For clarity trading with member authorities is included under note 17 of this statement.

Asset ownership

Under s102 of the Local Government Act 1972, a Joint Committee does not have the corporate status to acquire assets. However, given that YPO both enjoys the economic benefits from and assumes liabilities for its land and building assets, the "substance over form" policy justifies the inclusion of the assets in the Organisation's accounts.

Invoicing of direct supply goods

Up until December 2019 the method of invoicing customers for direct supply orders was triggered by the invoice being received from the third party supplier, which results in income being recognised in the period in which the transaction is processed rather than when it is delivered. This method was non-compliant with IFRS 15 and the criteria needed to be met when recognising income. From December 2019, a system change took place which now requires confirmation from the supplier that their obligations have been fulfilled before we recognise the income in that period. Therefore as at the 31st December no income has been accounted for before the performance obligations of the contract have been met.

Notes to the Core Financial Statements

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on either assumptions made by the Organisation about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Items included in this Statement of Accounts for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, expected returns on pension assets and the discount rates used bring future assumptions to present values. A firm of consulting actuaries is engaged to provide the Organisation with expert advice about the assumptions to be applied.

These assumptions interact in complex ways and could produce a range of different results depending on the mix of changes in assumptions. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of around £2.713m.

Framework Contract Income

This statement of accounts includes an estimate of income due to the Organisation from suppliers operating on the Organisation's framework contracts as at 31st December. This estimate is on the basis described in note 1 (point r).

Whilst every effort is made by the Organisation to accurately forecast balances due to the Organisation as at the year end, there is a risk that returns on these contracts may either exceed or be less than the estimate made at the date of the closure of the accounts. The impact on the statements in the following year will be dependent on the mix of positive and negative variances against estimates. If the estimate of income due was to be different by 10% this would represent a movement of around £230K.

Property, Plant & Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.

The Organisation takes independent advice on the valuation of buildings and believes the depreciation policies adopted accurately reflect the current market value of assets held, however there is a risk that any sale value will be very much dependent on the economic climate at the point of sale. At the year end the Organisation was not intending disposing of any major assets.

Foreign currency transactions

Transactions in foreign currencies are recorded in the statement of accounts in sterling using the spot exchange rate on recognition of the liability.

Goods in transit from an overseas source are included in this statement of accounts valued at the spot rate as at the 31st December and any exchange rate difference arising on the actual payment will be accounted for in the income and expenditure account. The difference relates to the movement in spot rates between the two events.

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

During 2019 there have been several items of material income and expenditure that have been reflected in this statement of accounts. The main ones are;

In the year £0.8m of transaction costs, relating to the proposed acquisition of Findel Education Limited, have been incurred and expensed through the I&E account.

Following a system change in December we experienced issues in recognising and fulfilling some customer orders, especially across our Food business. This resulted in some customers being inconvenienced and as a result YPO have agreed a discount for these orders. A provision of £0.093m has been included in the accounts for these costs.

When preparing for the system change in December 2019, a review of open purchase orders identified £0.432m of goods received and not invoiced, as these orders were over 12 months old the provision for the invoices has been released and a saving recognised in the accounts.

6. TURNOVER

Turnover is the VAT exclusive value of invoiced sales for goods supplied from stock and by 'direct supply' arrangements. See also Statement of Accounting Policies note 1(b). Commission income from framework contracts arranged by the Organisation for customers is shown as Rebates. Supplier contributions for marketing support, canteen sales and other non-trading income are shown in Other Income.

Notes to the Core Financial Statements

7. RETIREMENT BENEFITS

Participation in pension schemes

As part of the terms and conditions of employment of its officers and other employees, YPO offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Organisation has a commitment to disclose the liabilities as at the time that officers and employees earn their future entitlement.

The organisation participates in the Local Government Pension Scheme (LGPS), administered by the West Yorkshire Pension Fund (WYPF). This is a funded defined benefit final salary scheme, meaning that the organisation pays contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The employers' rate of contribution for January to December 2019 was 14.4%. Employees contributions in 2019 were between 5.5% and 12.5% depending on salary.

In addition the Organisation has awarded discretionary post-retirement benefits upon early retirement - this is an unfunded element of the defined benefit final salary scheme, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions relating to post - employment benefits

The Organisation is required to recognise the cost of retirement benefits when employees earn them, rather than when they are actually paid to pensioners. However the charge made against the general fund balance is limited to the employer's contributions payable to the Pensions Fund in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Statement of Movement in Reserves Statement during the year.

	Funded	Unfunded	Total	Funded	Unfunded	Total
	2018	2018	2018	2019	2019	2019
	£'000	£'000	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Account						
Cost of Service						
Current Service Cost	4,012	0	4,012	3,674	0	3,674
Past Service Cost	155	0	155	2,643	0	2,643
Curtailment (Gain)/Loss	0	0	0	0	0	0
Financing and investment income and Expenditure						
Net interest Expense	591	22	613	715	24	739
Total Post Employment Benefit Charged to the surplus or Deficit on the Provision of Services	4,758	22	4,780	7,032	24	7,056
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability						
Return on plan assets (gains)/losses	6,731	0	6,731	(12,136)	0	(12,136)
Actuarial (Gains) and losses-demographic assumptions	0	0	0	0	0	0
Actuarial (Gains) and losses-experience	415	7	422	339	2	341
Actuarial (Gains) and losses-financial assumptions	(8,953)	(29)	(8,982)	22,351	65	22,416
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	2,951	0	2,951	17,586	91	17,677
Movement in Reserves Statement						
Reversal of net charges made to the comprehensive Income and Expenditure account for post employment benefits in accordance with the Code	(4,758)	(22)	(4,780)	(7,032)	(24)	(7,056)
Actual amount charged against the General Fund balance for pensions in the year:						
- employer's contributions to the pension scheme	1,967	0	1,967	2,009	0	2,009
-retirement benefits payable to pensioners	0	62	62	0	62	62
Total Charge against the General fund	(2,791)	40	(2,751)	(5,023)	38	(4,985)

Post retirement mortality assumptions as at 31st December applicable to funded and unfunded pensions

	Males		Females	
	2018	2019	2018	2019
Rating to base table	0	0	0	0
Scaling to base table rates (Current)	105%	105%	90%	90%
Scaling to base table rates (Future)	115%	115%	90%	90%
Cohort improvement factors	CMI2012	CMI Paper91	CMI2012	CMI Paper91
Minimum underpin to improvement factors	1.50%	1.50%	1.50%	1.50%
Future lifetime from age 65 (currently aged 65)	22.1	22.2	25.3	25.4
Future lifetime from age 65 (currently aged 45)	23.1	23.2	27.1	27.2

Notes to the Core Financial Statements

Pension assets and liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the organisations obligation in respect of its defined benefit schemes is as follows:

	Funded		Unfunded	
	2018	2019	2018	2019
Recognised in the Balance Sheet	£000s	£000s	£000s	£000s
Fair value of assets	89,062	102,988	0	0
Present value of the defined benefit obligation	(114,695)	(144,198)	(860)	(889)
Net liability arising from defined benefit obligation	(25,633)	(41,210)	(860)	(889)

Reconciliation of Fair Value of the Scheme Assets

The unfunded liabilities do not have assets in the scheme to support them. Below is a breakdown of scheme assets in relation to the funded liabilities.

	2018	2019
	£'000	£'000
Balance at 1st January	94,471	89,062
Interest income	2,350	2,572
Remeasurement gains/ (losses) on assets	(6,731)	12,136
Employer contributions	1,967	2,009
Contributions by scheme participants	810	836
Benefits paid	(3,805)	(3,627)
Balance at 31st December	89,062	102,988

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Funded Liabilities		Unfunded Liabilities	
	2018	2019	2018	2019
	£'000	£'000	£'000	£'000
Balance at 1st January	(119,120)	(114,695)	(922)	(860)
Current Service Cost	(4,012)	(3,674)	0	0
Interest Cost	(2,941)	(3,287)	(22)	(24)
Contributions by scheme participants	(810)	(836)	0	0
Remeasurement gains and (losses)	0	0	0	0
<i>Actuarial gains and (losses) - demographic assumptions</i>	0	0	0	0
<i>Actuarial gains and (losses) - financial assumptions</i>	8,953	(22,351)	29	(65)
<i>Actuarial gains and (losses) - experience</i>	(415)	(339)	(7)	(2)
Benefits paid	3,805	3,627	62	62
Past service costs and curtailments	(155)	(2,643)	0	0
Balance at 31st December	(114,695)	(144,198)	(860)	(889)

Local Government Pension Scheme Assets

The discretionary benefits arrangements have no assets to cover liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	Assets held	
	2018	2019
Equity investments	74.60%	78.30%
Property	4.20%	4.30%
Bonds	14.30%	14.40%
Other assets *	6.90%	3.00%
TOTAL	100.0%	100.0%

* Other holdings may include hedge funds, currency, asset allocation futures and other financial instruments. It is assumed that these will get a return in line with equities.

Notes to the Core Financial Statements

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates and salary levels. The scheme has been assessed by Hewitt Associates Limited, an independent firm of actuaries. Estimates for the fund have been based on the latest full valuation of the funded scheme as at the 31st March 2016 and the unfunded scheme as at 31st December 2017.

	Funded element		Unfunded element	
	2018	2019	2018	2019
Mortality assumptions				
Longevity at 65 for future pensioners				
Men	23.1 years	23.2 years	22.1 years	22.2 years
Women	27.1 years	27.2 years	25.3 years	25.4 years
Longevity at 65 for current pensioners				
Men	22.1 years	22.2 years	22.1 years	22.2 years
Women	25.3 years	25.4 years	25.3 years	25.4 years
Rate of Inflation (RPI)	3.30%	3.00%	3.30%	3.00%
Rate of Inflation (CPI)	2.20%	2.20%	2.20%	2.20%
Rate of Increase in Salaries	3.45%	3.45%	-	-
Rate of Increase in Deferred Pensions	2.20%	2.20%	-	-
Rate of Increase in Pensions	2.20%	2.20%	2.20%	2.20%
Rate for discounting scheme liabilities	2.90%	2.00%	2.90%	2.00%
Take-up of option to convert annual pension into retirement lump sum	75.00%	75.00%		

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

Impact on the Defined benefit Obligation in the Scheme

	Increase in Assumption £000	Decrease in Assumption £000
Member Life expectancy (+ or - 1 year)	4,806	(4,753)
Rate of increase in salaries (+ or - 0.1%)	713	(706)
Rate of increase in pensions (+ or - 0.1%)	2,044	(2,013)
Rate for discounting scheme liabilities (+ or - 0.1%)	(2,713)	2,765

Impact on the Organisation's Cash Flows

The liabilities show the underlying commitment that the Organisation has in the long run to pay post employment / retirement benefits. The total liability of £42,099k has a substantial impact on the net worth of the organisation as recorded in the balance sheet. Arrangements for funding the deficit mean that the financial position of the organisation remains healthy.

- The deficit on the scheme will be made good by contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The contributions expected to be made by the Organisation to the Local Government Pension Scheme in the year to 31st December 2020 are £1.930m. In addition, contributions towards the unfunded obligations will be required. Expected contributions for the discretionary benefits in the year to 31st December 2020 are £0.063m.

The weighted average duration of the defined benefit obligation for scheme members is 19.0 years.

Notes to the Core Financial Statements

8. Property Plant and Equipment

Property Plant and Equipment

Cost or valuation

Opening balance 1 January 2019	9,228	851	1,145	3,679	14,903
Revaluation increase / (decrease) recognised in the Revaluation Reserve	(41)	0	0	0	(41)
Revaluation increase / (decrease) recognised in the I&E	(1)	0	0	0	(1)
Additions	0	0	0	0	0
Impairment	0	0	0	0	0
Disposals	0	0	0	0	0

At 31 December 2019

Depreciation and impairments

Opening balance 1 January 2019	0	525	912	3,209	4,646
Charge for depreciation 2019	168	50	72	181	471
Disposals	0	0	0	0	0
Impairment	0	0	0	0	0
Acc depreciation write out to gross carrying amount	(168)	0	0	0	(168)
Depreciation written out to I&E	0	0	0	0	0

At 31 December 2019

Net Book Value at 31 December 2019

Net Book Value at 1 January 2019

	Land & Buildings £'000	Furniture & Equipment £'000	Computers £'000	Vehicles £'000	TOTAL £'000
At 31 December 2019	9,186	851	1,145	3,679	14,862
At 31 December 2018	0	575	984	3,390	4,949
Net Book Value at 31 December 2019	9,186	276	161	289	9,912
Net Book Value at 1 January 2019	9,228	326	233	470	10,257

2018 Comparative

Property Plant and Equipment

Cost or valuation

Opening balance 1 January 2018	9,000	780	925	3,336	14,040
Revaluation increase / (decrease) recognised in the Revaluation Reserve	156	0	0	0	156
Revaluation increase / (decrease) recognised in the I&E	72	0	0	0	72
Additions - Re-stated	0	72	220	343	635
Impairment	0	0	0	0	0
Disposals	0	0	0	0	0

At 31 December 2018

Depreciation and impairments

Opening balance 1 January 2018	0	478	881	3,028	4,387
Charge for depreciation 2018	162	47	31	181	420
Disposals	0	0	0	0	0
Impairment	0	0	0	0	0
Acc depreciation write out to gross carrying amount	(162)	0	0	0	(162)
Revaluation	0	0	0	0	0

At 31 December 2018

Net Book Value at 31 December 2018

Net Book Value at 1 January 2018

	Land & Buildings £'000	Furniture & Equipment £'000	Computers £'000	Vehicles £'000	TOTAL £'000
At 31 December 2018	9,228	851	1,145	3,679	14,903
At 31 December 2017	0	525	912	3,209	4,646
Net Book Value at 31 December 2018	9,228	326	233	470	10,257
Net Book Value at 1 January 2018	9,000	301	44	308	9,653

Notes to the Core Financial Statements

8a. Intangible Assets

During 2018 the company invested in the development of an Apprenticeship Levy framework portal which would allow our customers to sign up to a range of apprenticeship courses available through the levy scheme. All spend through the portal would generate a rebate income to YPO. All fees paid to external developers have been capitalised as Intangible Assets and amortised over 3 years from the time the portal became operational.

	2018	2019
	Intangible Assets £'000	Intangible Assets £'000
Cost or valuation		
Opening balance 1 January	118	192
Additions	75	0
Impairment	0	0
Disposals	0	0
At 31 December	192	192
Amortisation and impairments		
Opening balance 1 January	118	122
Amortisation charge for the year	4	25
Impairment	0	0
Disposals	0	0
At 31 December	122	147
Net Book Value at 31 December	70	45
Net Book Value at 1 January	0	70

9. Inventories

31st Dec 2019	Warehouse Stock £000's	Packing and Materials £000's	Total £000's
Opening inventory balance	14,529	174	14,703
Purchases	57,608	305	57,913
Recognised as an expense in year	(58,624)	(253)	(58,877)
Increase / (Decrease) in Stock in Transit accrual	151	0	151
Reversals of write offs in previous years	0	0	0
Closing Inventory balance	13,664	225	13,890
Provision for stock write off	(200)	0	(200)
Closing Inventory balance net of provisions made	13,464	225	13,690
31st Dec 2018			
Opening inventory balance	12,813	36	12,849
Purchases	62,580	412	62,992
Recognised as an expense in year	(60,683)	(274)	(60,957)
Increase / (Decrease) in Stock in Transit accrual	(181)	-	(181)
Reversals of write offs in previous years	0	-	0
Closing Inventory balance	14,529	174	14,703
Provision for stock write off	(247)	0	(247)
Closing Inventory balance net of provisions made	14,282	174	14,456

Notes to the Core Financial Statements

10. DEBTORS AND PAYMENTS IN ADVANCE

Debtors represent monies owed to the Organisation at the Balance Sheet date, which are yet to be received as cash. The Organisation also makes provision for outstanding monies that it is anticipated will not be recovered.

Debtors: Amounts due within one year

Trade Debtors	
Accumulated Absences	
Less - Impairment Allowance	
Payments in Advance and accrued income	

31st Dec 2018	31st Dec 2019
£'000	£'000
8,842	9,748
4	1
(128)	(222)
8,718	9,528
4,419	5,442
13,137	14,969

Total

Debtors are analysed by the following categories

Trade debtors

Central government bodies / VAT	
other local authorities	
NHS bodies	
public corporations and trading funds	
bodies external to general government (i.e. all other bodies).	

31st Dec 2018	31st Dec 2019
£'000	£'000
0	108
5,491	7,987
11	2
0	0
3,340	1,651
8,842	9,748

Payments in advance and accrued income

central government bodies	
other local authorities	
NHS bodies	
public corporations and trading funds	
bodies external to general government (i.e. all other bodies).	

0	0
0	0
0	0
0	0
4,419	5,442
4,419	5,442

Debtors: Amounts due after more than one year

Loans Receivable	
Total	

31st Dec 2018	31st Dec 2019
£'000	£'000
500	500
500	500

11. CREDITORS AND RECEIPTS IN ADVANCE

Creditors represent monies owed by the Organisation at the Balance Sheet date, which have not yet been paid.

Creditors and Receipts in Advance

Trade Creditors	
Accruals	
Finance Leases	
VAT	
Accumulated absences	

31st Dec 2018	31st Dec 2019
£'000	£'000
5,162	4,830
1,644	4,588
55	55
283	0
104	104
7,247	9,577

Total

Creditors are analysed by the following categories

Trade creditors

central government bodies	
other local authorities	
NHS bodies	
public corporations and trading funds	
bodies external to general government (i.e. all other bodies).	

31st Dec 2018	31st Dec 2019
£'000	£'000
0	0
83	83
0	0
0	0
5,079	4,748
5,162	4,830

Accruals / Leases / VAT

central government bodies	
other local authorities	
NHS bodies	
NHS bodies	
public corporations and trading funds	
bodies external to general government (i.e. all other bodies).	

283	0
632	0
0	0
0	0
0	0
1,171	4,747
2,085	4,747

Notes to the Core Financial Statements

Long Term Liabilities

Finance Leases	
Liability relating to Defined Benefit Pension Scheme	
Total	

31st Dec 2018	31st Dec 2019
£'000	£'000
151	96
26,493	42,099
26,644	42,195

12. FINANCIAL INSTRUMENTS

The organisation's financial instruments are represented by bank balances, investments made in line with the Organisations Treasury Management Policy, trade creditors, trade debtors and loans receivable. Certain risks are associated with these classes of cash and cash equivalents as follows.

All of the Organisation's financial assets are carried on the balance sheet at amortised cost less impairment. As all financial assets are simple in nature the disclosures included in these accounts are representative of that.

Bank balances are held in UK bank accounts and earn interest based on aggregated overnight investments rates determined by our banking providers. Risks to cash arise in the form of banking failures within the UK.

Investments represent cash deposits made with other local authorities which earn a fixed interest rate agreed at the time of investment and are for a fixed term. Risks arise in the form of banking failures within the UK. As at the 31st December the sum of £4m was invested with various local authorities. All investments are repayable in 2020.

The risks associated with Investments are managed through the adoption of a Treasury Management Policy. YPO adopts the key recommendations of CIPFA's Code of Practice entitled "Treasury Management in the Public Services" within its policy statement. The Organisation's high level policy for investments is to invest its monies prudently, considering security first, liquidity second and yield last, carefully considering its investment counterparties.

Debtors are comprised of customers and some trade suppliers owing funds to the organisation. The inherent risk is one of failure to settle outstanding debts due to bankruptcy or other financial problems. Most customers are within the public sector which mitigates this risk to a large extent.

Financial Assets	Non-Current		Current		Total	
	31/12/2018 £000's	31/12/2019 £000's	31/12/2018 £000's	31/12/2019 £000's	31/12/2018 £000's	31/12/2019 £000's
Amortised Cost - Debtors	500	500	8,714	9,526	9,214	10,026
Fair Value through other comprehensive income	0	0	0	0	0	0
Total Financial Assets	500	500	8,714	9,526	9,214	10,026

An impairment allowance of £222k (2018 £128k) has been included against all current debtors. Impairment calculations are based on the expected credit losses arising from the full instrument over the next 12 months and not on an individual level, this credit risk is reviewed frequently throughout the year and the allowance increased in line with the risk.

Non-current debtors constitute a loan issued in July 2018 to one of our related parties, YPO Procurement Holdings Ltd, for £500K. The purpose of the loan was to allow YPO Procurement Holdings to invest in EdTech Impact Limited for 30% of their Ordinary shares. The risk is that the related party, or the new associate, becomes insolvent and therefore repayment of the loan is unlikely. As at the 31st December 2019 the full capital amount, plus the accrued daily interest of 3% above the Bank of England base rate, is still outstanding.

The risks associated with our loans receivable are managed by the close monitoring of the borrower's financial performance and balance sheet position on a monthly basis. This allows for any potential credit risks to be identified as soon as possible and actions put in place to prevent the risks from materialising, as at the 31st December 2019 no impairment allowance has been made for this.

Creditors are suppliers of goods and services to the organisation. Risk is minimised from a robust set of procedures to ensure that all goods and services supplied to the organisation are properly ordered and received prior to the payment of any sums due.

Financial Liabilities	Non-Current		Current		Total	
	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019
Amortised Cost - Trade Creditors	0	0	5,162	4,830	5,162	4,830
Total Financial Liabilities	0	0	5,162	4,830	5,162	4,830

Notes to the Core Financial Statements

13. MOVEMENTS IN RESERVES

The General Fund Reserve represents the cumulative retained surplus built up over the life of the business. The General Fund Reserve is used to finance growth in working capital and supports the medium term plans of the business.

The table below shows the balances held in other reserves at the start and end of the year and the net movement in the year. The balances represent undistributed reserves payable to the member authorities.

Reserve	31st Dec 2018 £'000	31st Dec 2019 £'000	Net Movement in the Year £'000	Note
<u>Usable reserves</u>				
General Fund Balance	29,600	29,447	(153)	I
Capital Receipts Reserve	85	85	0	ii
Internal Investment Reserve	610	654	44	iii
<u>Unusable reserves</u>				
Joint Committee Capital Adjustment Account	10,625	10,134	(491)	iv
Earmarked Pension reserve	(26,493)	(42,099)	(15,606)	v
Earmarked Accumulated Absences Account	(100)	(185)	(85)	vi
Revaluation reserve	156	279	122	vii
Total reserves	14,483	(1,685)	(16,168)	

(I) To protect the Organisation against unforeseen events and the realisation of contingent liabilities. Included within the overall General Fund balance is the Financial Stability Fund which as at 31st December 2018 had a balance of £1m.

	2018 £'000	2019 £'000
General fund balance		
Balance brought Forward 1st of January	28,261	29,600
Surplus or deficit on operations	(2,189)	(5,673)
Total comprehensive income and expenditure	(2,189)	(5,673)
Depreciation and impairment	191	495
Revaluation losses (gains)	0	0
Capital expenditure charged to the GF	(489)	0
Transfer of cash sale proceeds	0	0
Reversal of IAS 19 charges to I&E	4,780	7,056
Employer's pension contributions	(2,029)	(2,071)
Movement in employee absence accrual	(11)	85
Total voluntary adjustments	2,442	5,565
Pension Contribution Reserve	0	0
Internal Investment Reserve	1,086	(45)
Total transfers to/from cash reserves	1,086	(45)
Total transfers to/from earmarked reserves	3,528	5,520
Balance Carried Forward 31st December	29,600	29,447
Movement in year represented in the Movement in Reserves Statement	1,339	(153)

Notes to the Core Financial Statements

(ii) The Usable Capital Receipts reserve records the receipts from sales of non-current assets less amounts used to finance capital expenditure.

	2018 £'000	2019 £'000
Usable Capital Receipts Reserve		
Balance brought Forward 1st of January	85	85
Amounts Received		
General receipts	0	0
Amounts Applied		
New Capital Investment	0	0
Balance Carried Forward 31st December	85	85
Movement in year represented in the Movement in Reserves Statement	0	0

(iii) The Internal Investment Reserve holds funds earmarked to support specific initiatives or activities.

	2018 £'000	2019 £'000
Internal Investment Reserve		
Balance brought Forward 1st of January	1,696	610
Transferred to Reserves		
Reserves for specific projects created in year	392	501
Amounts Applied		
Reserve balances utilised in year	(1,478)	(456)
Amounts released back to the General Fund		
Reserve balances no longer required and released back to the General Fund	0	0
Balance Carried Forward 31st December	610	654
Movement in year represented in the Movement in Reserves Statement	(1,086)	44

(iv) The Joint Committee Capital Adjustment Account is an earmarked reserve representing the accumulation of the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal, offset by the resources that have been set aside to finance capital expenditure.

The Joint Committee Capital Adjustment Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure and to repay debt.

	2018 £000	2019 £000
Joint Committee Capital Adjustment Account		
Balance brought Forward 1st of January	10,327	10,625
Brought Forward adjustment		
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(191)	(495)
Revaluation (losses) gains on property plant and equipment	0	1
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	0	0
Adjusting amounts written out of Revaluation Reserve	0	4
	10,136	10,134
Net Written out amount of the cost of non-current assets consumed in the year		
Capital financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0
Capital expenditure charged against the General Fund	489	0
	10,625	10,134
Balance Carried Forward 31st December	10,625	10,134
Movement in year represented in the Movement in Reserves Statement	298	(491)

Notes to the Core Financial Statements

(v) The Earmarked Pension Reserve is an earmarked reserve representing the difference between the actuarially calculated value of the pension fund assets and the present value of scheme liabilities.

	2018 £000	2019 £000
Earmarked Pension Reserve		
Balance brought forward 1st January	(25,571)	(26,493)
Actuarial Gains or (losses) on pension assets and Liabilities	1,829	(10,621)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,780)	(7,056)
Employers pensions contributions and direct payments to pensioners payable in year	2,029	2,071
Balance Carried Forward 31st December	(26,493)	(42,099)
Movement in year represented in the Movement in Reserves Statement	(922)	(15,606)

(vi) The Earmarked Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year. Proper accounting arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2018 £000	2019 £000
Earmarked Accumulated Absences Account		
Balance brought forward 1st January	(111)	(100)
Settlement or cancellation of accrual made in preceding year	111	100
Amount to be accrued for current year	(100)	(185)
Amount to be charged to the Comprehensive Income and Expenditure Statement	11	(85)
Balance as at 31st December	(100)	(185)
Movement in year represented in the Movement in Reserves Statement	11	(85)

(vii) The Revaluation reserve represents unrealised gains on the revaluation of property plant and equipment. The balance is reduced when assets with accumulated gains are:

- a) revalued downwards or impaired and the gains are removed
- b) used in provision of services and the gains are consumed through depreciation, or
- c) disposed of and the gains realised

	2018 £000	2019 £000
Revaluation Reserve		
Balance brought Forward 1st of January	0	156
Upward revaluation of assets	0	0
Difference between fair value depreciation and historical cost depreciation	0	(4)
Revaluation written out to the General Fund	156	126
Adjusting amounts written out of the Joint Committee Capital Adjustment Account	0	0
Balance Carried Forward 31st December	156	279
Movement in year represented in the Movement in Reserves Statement	156	122

Notes to the Core Financial Statements

14. EMPLOYEE EMOLUMENTS

The table below indicates the numbers of employees whose remuneration was greater than £50,000. Remuneration is defined as amounts paid to or receivable by an employee, including payments in kind, expenses allowances that would be chargeable to UK Income Tax. Termination payments are also included, which can lead to year on year comparisons being distorted.

REMUNERATION BAND £	No of Employees	
	2018	2019
50,000 - 54,999	6	6
55,000 - 59,999	3	1
60,000 - 64,999	3	4
65,000 - 69,999	2	1
70,000 - 74,999	1	2
75,000 - 79,999	-	-
80,000 - 84,999	-	1
TOTAL	15	15

The table below sets out the remuneration disclosure (Board of Directors) whose salary is £50,000 per year or more by job title. Comparative figures for 2018 are also shown and these officers are excluded from the above table.

2019						
Post	Salary incl. BiK	Expenses	Pay in Lieu of Notice	Redundancy Pay	Pension Contributions	Total Remuneration
Managing Director	131,501	1,014	-	-	18,432	149,933
Deputy Managing Director	107,563	537	-	-	13,317	120,880
Executive Director	98,409	922	-	-	14,757	113,166
Executive Director	95,476	72	-	-	13,317	108,794
	432,949	2,546	-	-	59,824	492,772

2018						
Post	Salary incl. BiK	Expenses	Pay in Lieu of Notice	Redundancy Pay	Pension Contributions	Total Remuneration
Managing Director	128,926	1,119	-	-	18,071	146,996
Executive Director	95,455	1,144	-	-	13,776	109,231
Executive Director	100,493	713	-	-	13,056	113,549
Executive Director	92,243	176	-	-	13,056	105,299
	417,116	3,153	-	-	57,959	475,075

The number of exit packages with the total cost per band of compulsory and other redundancies are set out below.

EXIT PACKAGE £	No. of compulsory Redundancies		No. of other Redundancies		Total no. of Exit Packages		Total cost of Exit Packages	
	2018 No.	2019 No.	2018 No.	2019 No.	2018 No.	2019 No.	2018 £,000's	2019 £,000's
0 - 20,000	-	3	3	-	3	3	15	42
20,001 - 40,000	-	1	-	-	-	1	-	21
40,001 - 60,000	-	-	1	-	1	-	41	-
60,001 - 80,000	-	-	-	-	-	-	-	-
80,000 and over	-	1	1	-	1	1	111	193
Total	-	5	5	0	5	5	167	256

Exit packages include redundancy costs, the cost of additional payments to the pension scheme and other departure costs.

Notes to the Core Financial Statements

15. LEASES

Finance Leases

The Organisation has entered into a Finance Lease for the supply of IT server and switches equipment.

The assets acquired under these finance leases are carried as Vehicles, Furniture and Equipment in the Balance Sheet at the following amounts

	2018 £000	2019 £000
Vehicles, Furniture and Equipment	206	151

The Finance lease liabilities are included in the current and long term liabilities in the Balance Sheet at the following amounts

	2018 £000	2019 £000
Finance Lease Liabilities (net present value of minimum lease payments)		
Due within one year	55	55
Due after one year and not later than five years	151	96
Finance costs payable in future years	7	5
Minimum lease payments	213	156

The minimum lease payments will be payable over the following periods

	Minimum Lease Payments		Finance Lease Liabilities	
	2018 £000	2019 £000	2018 £000	2019 £000
Not later than one year	57	42	55	55
Later than one year and not later than five years	156	114	151	96
Later than five years	0	0	0	0
	213	156	206	151

Operating Leases

The Organisation has entered into operating leases with various lives. The future minimum lease payments due under non-cancellable leases in future years are:

	2018 £000	2019 £000
Not later than one year	264	219
Later than one year and not later than five years	401	322
Later than five years	2,117	2,088
	2,782	2,629

Amounts charged, in respect of these leases, to the Comprehensive Income and Expenditure Statement during 2019 were £425k (2018 £473k) of which £29k was rent of Flanshaw Way. The later than five years figure is comprised entirely of a long term lease agreement on the land element of a warehouse property held at Flanshaw Way in Wakefield.

16. EXPENDITURE AND FUNDING ANALYSIS

The analysis of Income and Expenditure on the face of the Comprehensive Income and Expenditure Statement is that specified by the Code. This is different to the basis on which the Organisation carries out its budgeting decision making and planning process.

The following shows how the Organisations financial reporting output can be reconciled to the Comprehensive Income and Expenditure Statement.

Notes to the Core Financial Statements

2018 £'000	YPO Profit & Loss	2019 £'000
	Trading	
73,480	Stores	74,070
14,211	Food	12,534
25,190	Directs	24,141
112,881	Total Invoiced Sales	110,745
(81,102)	Cost of Sales	(79,027)
31,779	Gross Margin	31,718
4,773	Rebates	5,812
1,990	Other Income	2,242
38,542	Total Income	39,773
	Operating Costs	
(17,590)	Employment costs	(18,730)
(956)	Premises	(996)
(6,223)	Supplies and Services	(7,342)
(4,681)	Transport	(4,726)
(127)	SLA costs	(127)
(0)	Financial & Misc.	(173)
(425)	Depreciation	(495)
(30,002)	Total Operating Costs	(32,589)
47	Interest (payable)/receivable	97
-	Profit/(loss) on disposal of assets	-
-	Dividend paid	-
-	Pension costs	-
8,587	Surplus or (deficit)	7,280

2018 £'000	Reconciliation of P&L Account to I&E Account	2019 £'000
8,587	Net Profit in P&L Account	7,280
(10,776)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management	(12,954)
-	Amounts included in the P&L not included in the Comprehensive Income and Expenditure Statement	-
(2,189)	Surplus/(Deficit) on provision of service	(5,673)

Reconciliation of Profit and Loss Account to Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the profit and loss account relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

YPO Profit & Loss 2019	P&L Acct £'000	Amts not rptd for mgt dec making £'000	Alloc'n of reporting expenses £'000	I&E Statement £'000
Total Invoiced Sales	110,745	0	0	110,745
Cost of Sales	(79,027)	0	0	(79,027)
Gross Margin				
Discounts	0	0	0	0
Rebates	5,812	0	0	5,812
Other Income	2,242	0	0	2,242
Total Income	39,773	0	0	39,773
Operating Costs				
Employment costs	(18,730)	0	0	(18,730)
Premises	(996)	0	0	(996)
Supplies and Services	(7,342)	0	0	(7,342)
Transport	(4,726)	0	0	(4,726)
SLA costs	(127)	0	0	(127)
Financial & Misc.	(173)	0	0	(173)
Depreciation	(495)	0	0	(495)
Total Operating Costs	(32,589)	0	0	(32,589)
Interest (payable)/receivable	97	0	0	97
Exceptional Items	0	0	0	0
Revaluation gains / (losses)	0	0	0	0
Impairment allowances	0	(94)	0	(94)
Dividend paid	0	(7,419)	0	(7,419)
Earmarked reserves funding	0	(456)	0	(456)
Pension costs	0	(4,985)	0	(4,985)
Surplus or (deficit) on provision of service	7,280	(12,860)	0	(5,673)

Notes to the Core Financial Statements

YPO Profit & Loss 2018	P&L Acct £'000	Amts not rptd for mgt dec making £'000	Alloc'n of reporting expenses £'000	I&E Statement £'000
Total Invoiced Sales	112,881	0	0	112,881
Cost of Sales	(81,102)	0	0	(81,102)
Gross Margin				0
Discounts	0	0	0	0
Rebates	4,773	0	0	4,773
Other Income	1,990	0	0	1,990
Total Income	38,542	0	0	38,542
Operating Costs				
Employment costs	(17,590)	0	0	(17,590)
Premises	(956)	0	0	(956)
Supplies and Services	(6,223)	0	0	(6,223)
Transport	(4,681)	0	0	(4,681)
SLA costs	(127)	0	0	(127)
Financial & Misc.	(0)	0	0	(0)
Depreciation	(425)	0	0	(425)
Total Operating Costs	(30,002)	0	0	(30,002)
Interest (payable)/receivable	47	0	0	47
Profit/(loss) on disposals	0	0	0	0
Revaluation gains / (losses)	0	233	0	233
Impairment allowances	0	(16)	0	(16)
Dividend paid	0	(7,253)	0	(7,253)
Earmarked reserves funding	0	(989)	0	(989)
Pension costs	0	(2,751)	0	(2,751)
Surplus or (deficit) on provision of service	8,587	(10,760)	0	(2,189)

17. RELATED PARTY TRANSACTIONS

The Organisation is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Organisation or to be controlled or influenced by the Organisation.

Transactions with Founder Member Authorities are shown here for clarity. Founder member authorities are not classified as related parties under the Code of Practice or for the purpose of group accounting but have joint control over the Organisation's decision making and business planning. In addition to the founder members the Organisation has 65 associate members who have no influence over Organisational decision making.

Business transactions with the 13 founder members accounts for a significant proportion of the Organisation's turnover. Membership entitles these authorities to a share of any annual profits and equal powers over key business decisions.

The value of business transacted with each founder member during the year and the debtor balance at the year end is detailed below:

	Transaction value		Debtor balance as at 31 Dec
	2018 £'000	2019 £'000	2019 £'000
Barnsley MBC	16,551	13,709	55
Bolton MBC	10,258	9,932	5
Bradford MDC	31,651	37,502	524
City of York	6,357	6,215	15
Doncaster MBC	16,638	16,776	136
Kirklees MC	30,929	20,767	31
Knowsley MBC	6,565	6,019	17
MB of Calderdale	8,373	6,119	21
North Yorkshire CC	24,544	22,203	40
Rotherham MBC	15,968	13,942	46
St Helens MBC	9,257	8,618	25
Wakefield MdC	17,554	15,750	73
Wigan MBC	12,566	13,811	15
	207,211	191,363	1,003

The above table includes trade direct with the Organisation which is included in invoiced turnover and business transacted through framework contracts arranged by the Organisation, which are not accounted for as turnover in the comprehensive income and expenditure account.

The debtor balance only reflects amounts owing from the direct trade with YPO across our catalogue business, as any activity through our frameworks is not invoiced directly by the Organisation.

The YPO Management Committee is made up of elected representatives from each Member Authority. No personal interest in material transactions have been disclosed by any of the elected representatives or senior officers of the Organisation.

Notes to the Core Financial Statements

One of the Member Authorities, City of Wakefield MDC, acts as servicing authority for YPO and as such, WMDC officers are the Organisation's statutory officers. YPO has commercial support agreements with Wakefield MDC covering certain accounting, treasury, human resource, legal services and vehicle maintenance arrangements. A summary of the costs incurred via Wakefield MDC are shown below, along with the creditor balance at the year end.

Purchases (Exc. VAT)		Creditor Balance at 31st Dec	
2018	2019	2018	2019
<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Wakefield MdC			
1,065	813	83	45

The Organisation has incurred no expenditure with any other founder member during in 2019 or 2018.

In 2014 YPO Procurement Holdings and its subsidiary YPO Supplies Ltd began trading with YPO Joint Committee. Board members for YPO Procurement Holdings and YPO Supplies are also members of the Joint Committee board and therefore all transactions between the above companies are classed as related party transactions in accordance with the Code of practice for Local Authority Accounting.

The transactions involve a payment from YPO Supplies Ltd to YPO Joint Committee for picking items in the warehouse and the cost of telephone call handing. Those charges are at a standard cost. The cost of goods sold is paid by the Limited Company to the Joint Committee at an agreed transfer price. This includes an element of sales, procurement and marketing costs incurred by the Joint Committee. Other charges include a fee for governance and accounting services. The rationale is to recover the costs of operating on behalf of the new company.

Below is a summary of the amount of transactions that have occurred between the related parties and the amount of Balances outstanding. All transactions are sales from YPO Joint Committee.

	Transactions Value (Ex VAT) for the year £	Outstanding Balance as at 31st Dec 2019 £
YPO Procurement Holdings	0	0
YPO Supplies Ltd	1,461,324	327,156

In July 2018 YPO issued a loan to YPO Procurement Holdings for the sum of £500K. Interest will accrue on the loan at a daily rate of 3% above the Bank of England Base Rate and all capital and interest amounts are repayable by 2030. As at the 31st December the loan amounts still outstanding are.

	2019 £
Capital	500,000
Interest	26,846
	526,846

On the 31st December 2019 a review has been carried out on the recoverability of the loan issued. Taking into consideration the financial performance and financial position of YPO Procurement Holdings and its subsidiaries, and the expected growth over the next 5 years, it is expected that the full amount owing will be fully recovered by the end of the loan term.

18. AUDIT COSTS

The following fees were paid to the external auditors for services carried out:

	2018 £000	2019 £000
Audit Costs		
Fees payable to Mazars (2018: KPMG) with regard to external audit services	23	23

19. EVENTS AFTER THE BALANCE SHEET DATE

In March 2020 the outbreak of the covid-19 pandemic, and the resulting measures put in place by the UK Government - particularly the closing of schools has impacted on the trading operations of the Organisation. The closing of schools, who account for over 80% of our customer base also impacted on the collectability of the debtor balance as at the 31st December 2019. The going concern assessment undertaken prior to the outbreak has been reviewed, and whilst the months following the outbreak has been challenging it has been deemed that the Organisation continues as a going concern and therefore no adjustments have been made to the 2019 accounts due to the pandemic.

Glossary of Terms

This glossary is provided to assist the reader. It gives explanations of common terms used in relation to local authority finance (which are not explained elsewhere in the Statement), many of which are used within this document.

Accounting Period

The period covered by the accounts, normally a period of twelve months commencing on 1 January. The end of the accounting period is the balance sheet date, 31 December.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

Accumulated Absences

Accumulated absences are sums owing to or from employees at the end of the accounting period not yet claimed back or paid over for hours owed to / from under the flexible working scheme and holiday days over or under used at the period end.

Annual Governance Statement

A non-statutory document which provides an overview of the governance arrangements within the Organisation, aids the effective exercise of Organisation functions, and includes arrangements for the management of risk.

Asset

An item having value in monetary terms. Assets are defined as current or long term. A current asset will be consumed or cease to have material value within the next financial year. A long term asset provides benefits to the Organisation and its services for more than one year.

Audit of Accounts

An independent examination conducted on a test basis, of the Organisation's financial statements.

Budget

A statement of spending plans and anticipated income for a financial year.

Cash equivalents

Are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalent vouchers

These are vouchers issued to customers as loyalty bonus which are redeemable against future purchases.

Current Assets

Is an amount which will become receivable or could be called in within the next accounting period.

Defined Benefit Plans

Are post employment benefit plans other than a defined contribution plan. Usually the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the plan. The plan may be funded or unfunded.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a long term asset, whether arising from use, passing of time or obsolescence through technological or other changes.

Direct Supply

Direct supply refers to the trading method employed by the Organisation where goods ordered by the customer are delivered direct from the supplier rather than the Organisation.

either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Organisation's financial performance.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a long term asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments including any initial payments amount to substantially all of the fair value of the leased asset.

Financial Instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term "financial instrument" covers both financial assets and financial liabilities and includes trade receivables, trade payables and derivatives.

Financial Procedure Rules

Written rules of the Organisation relating to all matters with financial implications. All Organisation officers must comply with these rules.

Impairment

A reduction in the value of a long term asset below its carrying amount on the balance sheet.

International Accounting Standards (IAS)

Standards developed by the International Accounting Standards Board (IASB) that are required to be followed.

International Financial Reporting Standards (IFRS)

The Standards (including International Accounting Standards (IAS)) developed by the International Accounting Standards Board (IASB) and supported by interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) on which the accounts of this Organisation are based.

Inventories

Inventories include stocks held for resale and all other assets held for use within the Organisation.

Liability

A liability is where the Organisation owes payment to an individual or organisation. A current liability is an amount which will become payable or could be called in within the next accounting period. A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period.

Net Book Value

The amount at which long term assets are included in the Balance Sheet i.e. their historical value or current value less the cumulative amounts provided for depreciation.

Net Expenditure

Gross expenditure less specific income.

Outturn

Actual income receivable and expenditure due in a financial year.

Payments in Advance

These are payments made in advance of goods or services being provided to the Organisation.

Prior year adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as

far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

Reserve

A reserve is an amount set aside in one financial year and carried forward to meet liabilities in a subsequent financial year, both general and specific liabilities.

Turnover

Turnover is the value of invoices issued to customers for the supply of goods and services.

Useful life

The period over which the Organisation will derive benefits from the use of a long term asset.

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	<p>YPO</p> <p>AUDIT & SCRUTINY SUB COMMITTEE</p> <p>TO BE HELD ON</p> <p>3RD JULY 2020</p>
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TITLE: ANNUAL INTERNAL AUDIT REPORT JANUARY TO DECEMBER 2019

REPORT OF: SERVICE MANAGER FOR INTERNAL AUDIT & RISK

1. PURPOSE OF REPORT

- 1.1. The purpose of this report is to provide an opportunity for the Strategic Officer Group to comment on the draft annual internal audit opinion. Following this, the report will be submitted to the Audit and Scrutiny Sub-Committee, and the Management Committee.

2. BACKGROUND INFORMATION

- 2.1 Wakefield Council is the lead authority for the Yorkshire Purchasing Organisation (YPO), which operates under a 'Joint Committee' approach. As part of these arrangements Wakefield Council provides the internal audit function through a Service Level Agreement (SLA) by Wakefield Council. This is supplemented by an Internal Audit Charter (the Charter), which was approved by the Audit and Governance Sub-Committee in November 2019.
- 2.2 A key element of both the SLA, and the Charter, is to provide an annual risk-based internal audit opinion on the effectiveness of governance arrangements, risk management and the control environment operating at the YPO.
- 2.3 The opinion is primarily based upon work completed as part of the scheduled work for 2019, but also reflects on work in the previous 2 years. The rolling 3-year Internal Audit Plan was approved by the Audit and Scrutiny Sub-Committee in May 2019, and the work for 2019 is summarised in Table 1.

Table 1: Scheduled Internal Audit Work for 2019

Audit Area	Brief Summary
Key Financial Systems	
Asset Management	To gain assurance that significant assets are properly accounted for and secured.
Creditors	To gain assurance on the effectiveness of controls for raising orders and making payments to the suppliers for goods and services.
Governance and Risk-Based Audit Work	
Adherence to Legislation	To provide assurance over Health and Safety risk areas ensuring compliance with key policies and legal frameworks.
Business Planning	To provide assurance over the sufficiency of business planning documentation for decision making.

Audit Area	Brief Summary
Rebate Income	To gain assurance in the adequacy of controls relating to rebate income.
Scheduled Follow-Up Work	
GDPR Audit	To seek assurance on the implementation of high priority audit recommendations agreed in the follow-up audit undertaken in 2018.

2.4 As a local government function, the work of internal audit is required to conform to the Public Sector Internal Audit Standards (PSIAS). This report sets out the following mandatory requirements associated with the annual internal audit opinion these are:

- The annual internal audit opinion (see Section 3 of this report);
- A summary of the work that supports the opinion (see Section 4); and,
- A statement on conformance with the PSIAS (see Sections 3 and 5).

2.5 Conformance with the PSIAS provides assurance that internal audit work has been completed to the necessary professional requirements, meaning that the assurance can be relied upon.

3. Annual Internal Audit Opinion

3.1 Based upon the completed work, it is my professional opinion that the Yorkshire Purchasing Organisation has sound governance, risk management and control arrangements. The audit work, based upon sample testing, has not identified any significant errors, losses or omissions. Where opportunities for improvements have been identified, we have received a commitment from senior management to address the issues raised within agreed timescales.

3.2 I also provide positive assurance, that the internal audit work undertaken to support this opinion has been conducted in accordance with the mandatory requirements of the Public Sector Internal Audit Standards.

4. Basis of the Annual Internal Audit Opinion

4.1 The opinion is based upon the completion of audit work between 2017 and 2019, with greater focus on the work completed for 2019. Table 2 provides a summary of the opinion levels provided for each individual piece of audit work in 2019. The assurance opinion definitions are included at Appendix 1.

Table 2 – Summary of Internal Audit Work Completed in for the 2019 Calendar Year

Audit	Control Opinion	Compliance Opinion
Asset Management	Good	Good
Business Planning	TBA	TBA
Creditors	Substantial	Good
GDPR Follow-Up	Acceptable	Limited
Health and Safety (Adherence to Legislation)	Good	Substantial
Rebate Income	Good	Substantial

- 4.2 Table 3 provides a high-level summary of the work completed in 2017 and 2018, which have also been considered when providing the annual opinion. The rest of this section provides a summary of the key findings for each of the audits completed in 2019.

Table 3: Summary of Internal Audit Work Completed in 2017 and 2018

Year	Audit	Overall Opinion Level
2017	Business Performance Management	Fully Effective
	Debtors for Business Income	Mostly Effective
	Debtors for Non-Business Income	Mostly Effective
	Delivering Business Planning Objectives and Priorities Follow-Up	Mostly Implemented
	Electronic Card Payments Follow-Up	Mostly Implemented
	Fleet Replacement and Third Party Logistics	Mostly Effective
	Main Financial Systems – Implementation of Previously Agreed Actions	Fully Implemented
	Payroll	Mostly Effective
2018	Budgetary Control	Fully Effective
	Counter-Fraud and Bribery Arrangements	Mostly Effective
	GDPR	Mostly Effective
	GDPR Follow-Up	Partially Implemented
	ICT Change Control	Mostly Effective
	Main Accounting System	Mostly Effective
	Warehouse Management and Stock Control	Mostly Effective
	Workforce Skills Development	Mostly Effective
	YPO Trading Company Arrangements	Mostly Effective

Asset Management

- 4.3 The audit verified that there are sound policies and procedures in place to ensure that assets are correctly accounted for and safely secured. In particular, there is clear guidance for staff to follow within the Asset Management Policy and Financial Procedure Rules. A fixed asset schedule is in place and sample testing gave assurance that this is up to date and is subject to an annual check. Existing controls would be further improved by updating the Asset Management Policy to set out how intangible assets should be recognised and treated.

- 4.4 As part of the inventory checking process there were a number of ICT assets that have not been accounted for over the last 2 years, 84 laptops and 55 PC's. The auditor discussed this with the relevant officer and was satisfied that this was a recording issue, with the assets having been disposed of, but the asset register (AssetTrac) not being appropriately updated.

Business Planning

- 4.5 At the time of reporting this audit was still in the process of being completed. It is anticipated that this will be finalised in time for the Audit and Scrutiny Sub-Committee meeting.

Creditors

- 4.6 Assurance can be provided that there are good controls in place for key parts of the creditor process, in particular:
- Clear guidance through work procedures;
 - Appropriate checks for proposed amendments to standing data, including bank account details, to ensure that they are genuine;
 - An approval process that is commensurate to the level of spend;
 - Appropriate segregation of duties to minimise the risk of fraud and error; and,
 - Quarterly reporting arrangements on key performance information.

- 4.7 Controls would be further enhanced by ensuring that there is a clearly understood process for checking the employment status (also known as IR35, off-payroll working) of those providing services to the YPO. It was also recommended that the checks should be put in place to ensure that new supplier details have been correctly input. Both these recommendations were accepted.
- 4.8 It can also be confirmed that the detailed testing on a sample of transactions found no material issues.
- 4.9 It should be noted that, due to the technical issues experienced during the upgrade of Navision, it was not possible to test any historic stock order transactions. This area equates to £56.9m, or 63%, of the total value of invoices processed. Therefore the scope of the audit had to be restricted to direct supply and work expense invoices.

GDPR Follow-Up

- 4.10 An audit of the processes in place for meeting 'General Data Protection Regulation (GDPR)' requirements was completed in 2018, with a further follow-up. The initial opinion was 'mostly effective', with an opinion of 'partially implemented' for the follow-up. A further follow-up was therefore scheduled for 2019.
- 4.11 Assurance can be provided that there has been satisfactory progress in the implementation of previous high-priority audit recommendations. Examples include a Service Level Agreement with Calderdale MBC for the provision of data protection officer services and 93% of staff having completed the e-learning GDPR training.
- 4.12 An opinion of limited assurance was provided for current arrangements, recognising the need for the following improvements, in ensuring that:
- The website is updated to include details about consent and transparency;
 - Individual teams are complying with agreed data retention schedules;
 - Actions on the GDPR Checklist and KPI Spreadsheet are clearly allocated to named individuals with agreed implementation dates;
 - The remaining 7% of staff complete the e-learning GDPR training;
 - The SLA with Calderdale MBC has clear escalation processes, in the event of any disputes.

Health and Safety Review – Central Controls

- 4.13 I am able to provide positive assurance that health and safety arrangements meet recognised industry good practice (e.g. the Health and Safety Executive). Some examples of the good practice include:
- A clear policy and accompanying procedures;
 - Documented risk assessments, which are subject to review;
 - Update reports to management, that include analysis of near misses;
 - Completion of scheduled fire alarm testing;
 - Monthly health and safety inspections, in conjunction with a Trade Union representative;
 - An up-to-date Control of Substances Hazardous to Health (COSH) Register; and,
 - Web-based training that includes health and safety matters.
- 4.14 Processes would be further enhanced by displaying the 'safe systems of working' information at the location of machinery and equipment. It would also be helpful to obtain the feedback of the Health and Safety Manager when the operational health and safety risk is reviewed.

Rebate Income

- 4.15 This audit focussed on the accruals process in relation to rebate income, and audit testing confirmed that there are good controls in place. Moreover, positive assurance can be provided that no compliance issues were identified. Existing controls would be enhanced by requiring notes or a working paper to be retained, setting out what assumptions have been made in any calculations.

Other Audit Work

- 4.16 As officers are aware, the organisation went live with the LINK Programme on the 2nd December 2019. This was the most significant upgrade to ICT systems in the history of the YPO. As part of the project closedown a review will be undertaken by YPO officers, and Internal Audit will assist in this work.
- 4.17 It should be noted that Internal Audit has provided some support during this project. There were two key aspects to this, the first was acting as a 'critical friend' in relation to the LINK Programme's governance arrangements. The second aspect was to consider how this would impact on future assurance work.
- 4.18 In relation to the governance arrangements for the LINK Programme, I can confirm that the following elements of good practice were in place:
- A defined Programme with the allocation of roles and responsibilities;
 - A timetable for the completion of key tasks such as training, data cleansing, user acceptance testing and budgetary control;
 - Discussions around associated risks and agreed mitigation actions; and,
 - Update reports to key stakeholders, such as the Management Committee, Audit & Scrutiny Sub-Committee and the Executive Sub-Committee.
- 4.19 These arrangements were in place throughout the year, and provided high-level assurance on the delivery of the programme. The post implementation review will provide a good opportunity to learn lessons for the future, including any for my own service.

5. Conformance with the Public Sector Internal Audit Standards (PSIAS)

- 5.1 As reported to the Audit and Scrutiny Sub-Committee, in November 2019, the Internal Audit Team '**generally conforms**', which is the highest rating, to the PSIAS requirements. As with all local government heads of internal audit, I continue to seek out ways to improve my service and add greater value.
- 5.2 A new structure was implemented in 2019, which will help to improve the effectiveness and efficiency of my service. A key element of this will be to expand on our ability to utilise data analytics and data mining techniques.
- 5.3 At the time of reporting there are some vacancies on the structure and I had to cancel interviews due to the current Covid-19 pandemic. The focus for 2020 is to fill these vacancies and roll out refresher training across the team. I look forward to providing an update later in the year on the progress that is being made.
- 5.4 In the interim I can provide positive assurances that:
- All my team are either professionally qualified or actively studying;

- Everyone participates in continual professional development, which is supported by an allocation of time for training and development within the main Wakefield Council Internal Audit Plan;
- There are quality assurance processes in place to ensure that audit work is evidence based and reliable;
- Feedback is requested, through a client satisfaction questionnaire (CSQ), after each audit. These are helpful in identifying potential training needs for individual staff and the wider team. At the time of reporting 2 CSQ's have been received and a score of good or very good (the highest rating) was provided for each phase of an audit.

6. STRATEGIC IMPLICATIONS

- 6.1 As detailed in the May 2019 report to the Audit and Scrutiny Sub-Committee the 2019 Internal Audit Plan factored in a number of key documents, including the YPO Business Plan, 3 Year Strategic Plan, and the Strategic Risk Register. This provides high-level assurance that the Plan was risk-based.

7. FINANCIAL IMPLICATIONS

- 7.1 The annual cost for the provision of Internal Audit for YPO is £45,000 per year.
- 7.2 The 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.

8. LEGAL IMPLICATIONS

- 8.1 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.
- 8.2 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.

9. EQUALITY IMPLICATIONS

- 9.1 Equality issues are taken into account when considering the Organisation's key strategic risks. Therefore, this will be reflected in the scheduled audits completed each calendar year.

10. RISK IMPLICATIONS

- 10.1 In line with the Public Sector Internal Audit Standards there is a requirement to set a risk-based audit plan. As already detailed the Plan was based upon a number of core documents, including the Strategic Risk Register. In addition, input has been sought from senior management to help identify new and emerging areas of risk.

11. RECOMMENDATION

- 11.1 The Strategic Officers Group is asked to:

- Consider and comment on the Annual Assurance Opinion prior to it being forwarded to the Audit and Scrutiny Sub-Committee and Management Committee;
- Comment on any suggestions for improvement in the Internal Audit Service, these will then be incorporated into the Quality Assurance and Improvement Programme Action Plan.

Contact Officer:

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APPENDIX 1 – INTERNAL AUDIT ASSURANCE OPINIONS FOR 2019Control 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.

Compliance Opinion

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.

	<p style="text-align: center;">YPO</p> <p style="text-align: center;">AUDIT & SCRUTINY SUB COMMITTEE</p> <p style="text-align: center;">TO BE HELD ON</p> <p style="text-align: center;">3RD JULY 2020</p>
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TITLE: DRAFT ANNUAL INTERNAL AUDIT PLAN 2020

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 Strategic Officers Group is asked for comments on the proposed Audit Plan.

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 Audit and Scrutiny Sub-Committee on 29 May 2019, 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 strategic risks (i.e. a score of 8 or more).

Table 1 – Summary of high priority strategic risks

Risk Description (Risk Reference)	Likelihood	Impact	Risk Score
Inaccurate Accounting Records) resulting in misleading financial information leading to misinformed decision making and loss of opportunity for growth and development (SRR-07)	4	3	12
Inefficient business processes resulting in reduced productivity, loss of business and reputational damage (SRR-08)	4	3	12
Inability to fulfil customer orders leading to customer dissatisfaction, damage to reputation and loss of sales and income (SRR-10)	3	3	9
Uncertainties regarding the implications of Brexit, for example risks around labour shortage, impact on the supply chain and costs (SRR-19)	3	3	9
Business Continuity in the event of a Major Incident from the inability to access key premises and systems and / or insufficient staff to maintain usual business operations or the inability to receive and deliver goods leading to a loss of reputation and future business / income (SRR-09)	2	4	8

- 2.6 At the date of writing this report, a new risk SRR-20 relating to Project FED had yet to be rated.

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. By sharing this plan with all members of the Strategic Officers Group it will ensure that there has been sufficient consultation prior to submission to the Audit and Scrutiny Sub Committee.

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 The Audit Plan for 2019 proposed changes to the opinion levels for the control environment and compliance with existing controls. These opinion levels were agreed and will continue to be used during 2020 and are detailed below for information.

Table 3 – 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.
Moderate	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 4 – 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.
Moderate	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 Strategic Officers Group is asked to review and provide comments on:
- The proposed Internal Audit Plan for 2019 to 2021 (see Appendix A).

Contact Officer:

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Draft Internal Audit Plan for Period 2019 to 2021

Table 1: Proposed Audits for 2020 Calendar Year

Audit Area	Type of Audit	Brief Summary	Audit Days	Links to YPO Priorities	Links to YPO Risks
Section 151 Assurance Work					
Debtors	Key Financial System	To gain assurance that the arrangements for debt recovery are robust and debt levels are appropriately monitored and managed.	15	Financial Resilience	SRR-07 SRR-08
Payroll	Key Financial System	To gain assurance that payroll transactions are effectively controlled.	5	Financial Resilience	SRR-07 SRR-08
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.	5 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.	5 ¹	All	ALL
LINK Programme	N/A	Review of governance arrangements for implementation of LINK with focus on lessons learnt. This audit review may link with Risk Management and complement any internal reviews that YPO are undertaking.	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.	10	Customer Focus	SRR-12
Customer Engagement	Risk Based	The audit will provide assurance over a core strategy objective, possibly the focus could be on customer complaints and effective processing of those in 2020 following issues with the implementation of LINK.	15	Customer Focus	SRR-11 SRR-12 SRR-14
Data Quality	Risk Based	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.	15	All	SRR-05
Business Continuity arrangements	Risk Based	Following COVID-19 a review of the organisations business continuity arrangements is recommended to ensure that lessons learnt are captured.	15	All	SRR-09

¹ These days will not be included as part of the chargeable days for 2020

Audit Area	Type of Audit	Brief Summary	Audit Days	Links to YPO Priorities	Links to YPO Risks
ICT Arrangements	Consultancy	This will typically cover areas such as: <ul style="list-style-type: none"> • Access Controls; • Change Controls; • Cyber Security; • File Controls; • Network Controls. 	15	All	
Transport Logistics	Risk Based	Largest expenditure cost centre therefore audit review is required.	15	Customer Focus	SRR-07 SRR-08 SRR-10
Follow-Up Reviews					
Implementation of High Priority Audit Recommendations	Follow Up	As required – a review will be completed of any audits with an opinion of ‘partially effective’ or ‘ineffective’. None in 2019 work so far.	0	-	-
Contingency Time					
Contingency Time	-	Time set aside for new and emerging risks and complete individual follow-up audits within the 2019 calendar year.	5	-	-
Liaison, Consultancy and Advice					
Liaison, Consultancy and Advice	-	Development of the 2020 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.	5	-	-
		Total (excluding 10 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.

Audit Area	2019	2020	2021	Comments
Debtors		✓		Last reviewed in 2017.
Main Accounting System.			✓	Last reviewed in 2018.
Payroll		✓		Last reviewed in 2017.
Consultancy Work				
Counter-fraud and Corruption Arrangements	✓	✓		5 days consultancy service, at no cost to YPO, will be provided to YPO in 2020. 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, 5 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 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			✓	Audit of governance arrangements relating to the limited company. Delay until 2021.
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.



YPO
AUDIT & SCRUTINY SUB-COMMITTEE
TO BE HELD ON
3RD JULY 2020

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 2019 the following have been reviewed and recommended actions detailed below.

Item	Latest Status	Action
YPO Procurement Holdings Strategic Fraud & Bribery Risk Register	Review and update April 2019	Adopted new clearer format Reviewed risks, controls, ratings
Anti-Bribery Due Diligence Review – risk review of overseas distributors	New piece of work reported April 2019	Reviewed arrangements against Ministry of Justice guidance
Anti-Bribery Policy Statement	Review and major update May 2019	Signed by MD, published on YPO Intranet and website
Raising Fraud Awareness Bulletin	Reported Jun 2019	Published on YPO Intranet
Business Recovery Report & Action Plan	Reported Jul 2019	Various actions as set out in Action Plan to improve business continuity planning and contacts
Risk Management Strategy & Framework	December 2019	Fully revised strategy & framework approved and adopted
Annual Governance Review, Statement & Local Code of Corporate Governance	Annual review and update Jan 2020	Approved and published
Financial Procedure Rules & Standing Orders for Contracts	Annual review and update Jan 2020	Deliver training to relevant staff
Strategic Risk Register Q1 2020	Annual review and update Jan 2020	Ongoing review of risk ratings
Outstanding Audit Actions	Annual review and update Jan 2020	Noted three overdue actions
Gifts & Hospitality Register Review	Annual review and update Jan 2020	Noted gifts & hospitality over £25
Employee Interests Policy Declarations	Annual review of policy and review of new process for declarations	Chase up of few outstanding declarations from staff
Standing Orders in relation to Contracts	Reviewed in June Board meeting	Remove samples storage information from the standing

		orders and include in the contracts procedure documents
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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 is part of YPO's overall framework for managing governance and 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 Audit & Scrutiny Sub-Committee note the contents of the table at paragraph 1.2.

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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REPORT TO
AUDIT & SCRUTINY SUB-COMMITTEE
TO BE HELD ON
3RD JULY 2020

TITLE: 2020/21 WORK PROGRAMME

REPORT OF: MANAGING DIRECTOR

1. PURPOSE OF REPORT

1.1 To provide members with an overview of the work scheduled for the 2020/21 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 Management Committee 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 2020/21
Appendix 2 - Principal Agenda Items
Appendix 3 - Meeting Schedule
Appendix 4 - Training Schedule

Yorkshire Purchasing Organisation

Audit & Scrutiny Sub-Committee Terms of Reference 2020/21

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.

PRINCIPAL AGENDA ITEMS 2020 - 2021

MANAGEMENT COMMITTEE

November 2020	Author	Agenda
Budget and Business Plans for 2020	PS/M Hirst	Private
Business Update	SH	Private
YPO Pay Policy	JW	Public
Lead Authority Issues	GM	Public
Report of Independent Director	Independent Director	Private

March 2021	Author	Agenda
Pre-Audit Statement of Accounts <i>(For information only)</i>	PS/ M Hirst	Public
Dividend Distribution <i>(Total amount of dividend)</i>	PS/ M Hirst	Private
Internal Audit Annual Report	Jason B	Public
Lead Authority Issues	GM	Public
Business Update	SH	Private
Report of Independent Director	Independent Director	Private
Internal Audit Plan	Jason B	Public
Treasury Outturn Report	M Hirst/ Wakefield	Private
Financial Procedure Rules & Standing Orders Relating to Contracts	PS	Private

July 2021	Author	Agenda
Annual Report	SH	Public
Audited Accounts <i>(For information only)</i>	PS/ M Hirst	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	JW	Private
Gender Pay Gap (for info only)	JW	Public

PRINCIPAL AGENDA ITEMS 2020 - 2021

EXECUTIVE SUB COMMITTEE

November 2020	Author	Agenda
Financial Performance Report (Forecast for next year)	PS/ M Hirst	Private
Lead Authority Issues	GM	Public
Business Update	SH	Private
Attendance Report	JW/ JF	Private
Stock Losses Report	PS	Private
YPO Pay Policy	JW	
Independent Director Update – Verbal	RM	Private

March 2021	Author	Agenda
Financial Performance Report (Earmarked Reserves Spend to be included in this) (Review of previous year performance)	PS/ M Hirst	Private
Lead Authority Issues	GM	Public
Business Update	SH	Private
Standing Orders & Financial Procedure Rules	PS/M Hirst	Public
Independent Director Update – Verbal	RM	Private
Attendance Report	JF/ JF	Private

July 2021	Author	Agenda
Financial Performance Report (Mid-year performance update)	PS/ M hirst	Private
Lead Authority Issues	GM	Public
Business Update	SH	Private
Exec Sub Work Programme & TOR	SH	Public
Independent Director Update – Verbal	RM	Private

PRINCIPAL AGENDA ITEMS 2020 - 2021

AUDIT & SCRUTINY SUB COMMITTEE

November 2020	Author	Agenda
Internal Audit Plan Template 2020	JB	Public
Year End Closedown Timetable	PS/S Hall	Public
Appointment of Auditors	PS/ M Hirst	Public
IT Programme Update	KF	Private
Strategy Update	??	Private
External Audit Report	External auditors	Public
CIPFA Financial Management Guide Updates (Verbal)	External Auditors	Public

February 2021	Author	Agenda
Internal Audit Action Update	PS/AHG	Private
Annual Governance Statement	PS/ M Hirst	Public
Pre-Audit Statement of Accounts	PS/ M Hirst	Public
Internal Audit Annual Report 2020	JB	Public
Internal Audit Plan 2020	JB	Public
IT Programme Update	KF	Private
Strategy Update	??	Private
Stock Adjustments	PS	Private
Gifts & Hospitality	PS/ AHG	Public
External Audit Plan	External Auditors	Public
Risk Register	PS/AHG	Private
CIPFA Financial Management Guide Updates (Verbal)	External Auditors	Public

July 2021	Author	Agenda
External Audit Report	External Auditors	Public
Audited Statement of Accounts	PS/ M Hirst	Public
Audit & Scrutiny Sub Work Programme & TOR	SH	Public
Governance Review	PS/ AHG	Public
Draft Internal Audit Plan 2021	JB	Public
IT Programme Update	KF	Private
Strategy Update	??	Private
CIPFA Financial Management Guide Updates (Verbal)	External Auditors	Public

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Date of Meeting		Board Meeting	Strategic Officers Meeting	Integration Sub Committee	Executive Sub Committee	Management Committee	JCC Members Meeting	Audit & Scrutiny Sub Committee	Partnership Liaison Meeting
July									
28/07	9:00	Board Meeting							
August									
25/08	9:00	Board Meeting							
September									
22/09	9:00	Board Meeting							
October									
TBC	9:00								Partnership Meeting
13/10	10:30		Strategic Officers						
20/10	9:00	Board Meeting							
30/10	10:30			Integration Sub					
November									
06/11	10:30							Audit & Scrutiny Sub	
13/11	10:30				Executive Sub				
24/11	9:00	Board Meeting							
27/11	9:30						JCC		
27/11	10:30					Management Committee			
December									
17/12	9:00	Board Meeting							
January									
26/01	9:00	Board Meeting							
February									
TBC	TBC								Partnership Meeting
09/02	10:30		Strategic Officers						
19/02	10:30			Integration Sub					
23/02	10:30	Board Meeting							
March									
05/03	10:30							Audit & Scrutiny Sub	
12/03	10:30				Executive Sub				
23/03	9:00	Board Meeting							
26/03	9:30						JCC		
26/03	10:30					Management Committee			
April									
27/04	9:00	Board Meeting							
30/04	10:30			Integration Sub					
May									
TBC	TBC								Partnership Meeting
25/05	9:00	Board Meeting							
June									
15/06	10:30		Strategic Officers						
22/06	9:00	Board Meeting							
25/06				Integration Sub					
July									
02/07	10:30							Audit & Scrutiny Sub	
09/07	10:30				Executive Sub				
23/07	9:30						JCC		
23/07	10:30					Management Committee			
27/07	9:00	Board Meeting							

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TRAINING SCHEDULE 2020 - 2021

	EXECUTIVE SUB COM	AUDIT & SCRUTINY SUB COM
Date and Training Topic	13 th November 2020 Public Sector Strategy Gavin Rimmington	6 th November 2020 Internal Audit Training Jason Brook
Date and Training Topic	5 th March 2021 Education Strategy Martin Armytage	19 th February 2021 External Audit Training External Auditors
Date and Training Topic	9 th July 2021 Operations Strategy Adrian Field	2 nd July 2021 Finance Strategy Matt Hirst

2020/2021 TRAINING TOPICS:

- IT Strategy
- People Strategy
- Marketing Strategy

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