

Your Ref.
Our Ref

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Date 25 June 2021

Chief Executive

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Typetalk calls welcome

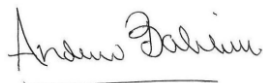
To: Members of the YPO Joint Committee Audit and Scrutiny Sub-Committee

Dear Member

YPO AUDIT & SCRUTINY SUB-COMMITTEE – MONDAY, 5 JULY 2021

It is with pleasure that I write to invite you to attend a meeting of the YPO Joint Committee Audit and Scrutiny Sub-Committee which is to be held at **10:30 am on Monday, 5 July 2021 in the YPO Headquarters** to consider the items set out in the agenda attached.

Yours sincerely



Andrew Balchin
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

Monday, 5 July 2021

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 5th March 2021. (Pages 1 - 5)
6. Audit & Scrutiny Sub Committee Terms of Reference & Work Programme 2021-2022. (Pages 7 - 21)
7. External Audit Report - To follow.
8. Audited Statement of Accounts - To follow.
9. Policies & Procedures Review. (Pages 23 - 26)
10. Bribery Risk Assessment. (Pages 27 - 40)
11. CIPFA Financial Management Self-Assessment Update. (Pages 41 - 42)
12. Draft Annual Internal Audit Plan 2021. (Pages 43 - 51)
13. Exclusion of the Public and Press
“That the public and press be excluded from the meeting during consideration of agenda items 14 - 17 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

14. Annual Internal Audit Opinion 2020. (Pages 53 - 87)
15. Third Party Logistics Update. (Pages 89 - 92)
16. Review of YPO's Contractual Arrangements. (Pages 93 - 100)
17. Link Update Report. (Pages 101 - 115)
18. Date of Next Meeting.
Proposed as 5th November 2021.

YORKSHIRE PURCHASING ORGANISATION**AUDIT & SCRUTINY SUB-COMMITTEE****FRIDAY, 5TH MARCH 2021****Present:** The Chair: Councillor Barnard (Barnsley)

Councillors: Barnard (Barnsley), Barnes (Calderdale), Nightingale (Doncaster), Wyatt (Rotherham), Turner (Kirklees), Lomas (York), Williams (Wakefield), White (North Yorkshire), Haslam (Bolton), Prescott (Wigan), Walsh (Knowsley).

13.	ELECTION OF A TEMPORARY CHAIR
	The Managing Director requested nominations for the position of temporary Chair of the Audit & Scrutiny Sub Committee for today's meeting. A new permanent Chair will be elected in the Management Committee.
	Resolved – (1) That Councillor Barnard be elected as temporary Chair for today's meeting.
14.	CHAIR'S INTRODUCTION & WELCOME
	Councillor Barnard welcomed all parties to the meeting.
15.	ACCEPTANCE OF APOLOGIES FOR ABSENCE
	Apologies for absence submitted prior to the meeting were accepted on behalf of Councillor Cole (Doncaster).
16.	MEMBERS DECLARATION OF INTEREST
	No declarations of interest were made.
17.	URGENT ITEMS
	The Managing Director (Simon Hill) requested to provide an update on an operational issue under the private section of the meeting.
18.	PREVIOUS MINUTES (AUDIT & SCRUTINY SUB COMMITTEE)
	The minutes of the YPO Audit & Scrutiny Sub-Committee held on 6 th November 2020 were approved by all.
19.	ANNUAL GOVERNANCE STATEMENT & LOCAL CODE OF CORPORATE GOVERNANCE
	The Managing Director (Simon Hill) shared the report of the Head of Finance which presents the first draft of the Annual Governance Statement (AGS) 2020 for consideration. The Local Code has been reviewed and no changes are proposed at this time.
	It was noted the AGS will be updated to reflect the correct dates required.

	Resolved - (1) That the Annual Governance Statement & Local code of corporate governance be approved.
20.	REVIEW OF FINANCIAL PROCEDURE RULES
	<p>Consideration was given to the Review of Financial Procedure Rules.</p> <p>The Financial Procedure Rules have been reviewed to ensure compliance with the current law, and no changes are currently proposed.</p> <p>Resolved – (1) That the Review of Financial Procedure Rules be noted.</p>
21.	DRAFT PRE-AUDIT STATEMENT OF ACCOUNTS
	<p>Consideration was given to the report of the Head of Finance which provided Members with the details of the draft Pre-Audit Statement of Accounts 2020.</p> <p>The report will be submitted to the next meeting of the YPO Management Committee for the information to be noted by members.</p> <p>Resolved – (1) That the Draft Pre - Audit Statement of Accounts 2020 are agreed.</p>
22.	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 2nd October 2020 – 31st January 2021.</p> <p>The Service Manager for Internal Audit & Risk noted the Link audit is now underway.</p> <p>Resolved – (1) That the Internal Audit Update Report be noted.</p>
23.	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>The Head of Finance (Matthew Hirst) provided assurances that we are confident the actions will be completed in a timely manner in 2021.</p> <p>Resolved – (1) That the progress made in implementing internal audit actions be noted.</p>
24.	EXTERNAL AUDIT UPDATE REPORT
	<p>Craig Maxwell (Mazars) shared the External Audit Update report.</p> <p>Craig noted the impact and management of Covid-19 will be a key focus in this</p>

	<p>audit. Mazars will work with YPO management on the detail of reporting on this.</p> <p>Resolved – (1) That the report be noted.</p>
25.	GIFTS & HOSPITALITY
	<p>Consideration was given to the Gifts and Hospitality report presented by the Managing Director.</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>
26.	EMPLOYEE INTERESTS
	<p>The Managing Director 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> <p>(2) Simon Hill to share an update on any outstanding declarations of interest.</p>
27.	CIPFA FINANCIAL CODE SELF-ASSESSMENT
	<p>Consideration was given to the report presented by the Head of Finance. YPO has carried out a self-assessment of financial management and this has been reviewed independently by Wakefield Council.</p> <p>The Head of Finance (Matthew Hirst) noted two key focus areas have been identified, including continued finance involvement in any decision making, and ensuring that any medium – long term financial strategies are synced into the wider organisations three-year strategy.</p> <p>Matthew noted that progress will be shared on this in the next meeting of the Audit & Scrutiny Sub Committee.</p> <p>Resolved – (1) That the report be noted.</p>
28.	EXCLUSION OF THE PUBLIC AND PRESS
	<p>Resolved – That the public and press be excluded from the meeting during consideration of agenda items 17 - 19 on the grounds that it is 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>

	<p>URGENT ADDITIONAL ITEM:</p> <p>Simon Hill provided Members with an update on an operational issue which has arisen this week and could provide a risk to the organisation.</p> <p>Simon shared the possible implications of this with Members.</p> <p>Councillors asked several further questions on this and were satisfied with the responses provided from Officers.</p> <p>Resolved: (1) It was agreed to undertake a review of YPO's contractual arrangements including the notice periods and bring this report back to the next Audit & Scrutiny Sub Committee.</p> <p>(2) It was agreed that a verbal update on this issue will be provided to the Executive Sub Committee next week, and a detailed report to be brought to the Management Committee on 26th March.</p>
29.	<p>LINK UPDATE REPORT (EXEMPT – PARAGRAPH 3)</p> <p>Consideration was given to the report of the Managing Director (Simon Hill), which provided Members with an update on the Link system.</p> <p>Simon noted we are monitoring progress against the lessons learnt review and shared the status of the actions.</p> <p>Resolved – (1) That the update be noted.</p>
30.	<p>PUBLIC SECTOR UPDATE (EXEMPT – PARAGRAPH 3)</p> <p>Simon Hill shared the report of the Head of Public Sector (Gavin Rimmington) which provides details of the on-going work within the Procurement services team at YPO.</p> <p>Resolved – (1) That the update be noted.</p>
31.	<p>STRATEGIC RISK REGISTER UPDATE (EXEMPT – PARAGRAPH 3)</p> <p>A report of the Head of Finance provided details of the Strategic Risk Register for YPO.</p> <p>The Strategic Risk Register explains to Members the risks faced by the organisation including assessment on the level of risk, the controls in place, any additional controls and risk owners.</p> <p>Resolved – (1) That the Strategic Risk Registers for the Organisation be noted.</p>
32.	<p>DATE AND TIME OF NEXT MEETING</p>
	<p>Resolved – (1) That the next meeting of the YPO Audit & Scrutiny Sub Committee is to be held on 2nd July 2021, 10.30am.</p>

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REPORT TO
AUDIT & SCRUTINY SUB-COMMITTEE
TO BE HELD ON
5TH JULY 2021

TITLE: 2021/22 WORK PROGRAMME

REPORT OF: MANAGING DIRECTOR

1. PURPOSE OF REPORT

1.1 To provide members with an overview of the work scheduled for the 2021/22 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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WF2 0XE

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APPENDICIES:

Appendix 1 - Terms of Reference 2021/22
Appendix 2 - Principal Agenda Items
Appendix 3 - Meeting Schedule
Appendix 4 - Training Schedule

Yorkshire Purchasing Organisation**Management Committee Terms of Reference 2021/22****Number of Members**

Twenty Six Councillors – Two from each Member Authority

Quorum

Member representation from at least five Member Authorities.

Substitutes

Two named substitutes from each Member Authority.

Frequency of Meetings

Three times per annum.

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

Remit

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

Yorkshire Purchasing Organisation**Executive Sub-Committee Terms of Reference 2021/22****Number of Members**

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

Quorum

Member representation from at least three Member Authorities.

Substitutes

Agreed named substitutes are Allowed.

Frequency of Meetings

Three times per annum.

Remit

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

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

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

Yorkshire Purchasing Organisation

Audit & Scrutiny Sub-Committee Terms of Reference 2021/22

Number of Members

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

Frequency of Meetings

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

Quorum

Member representation from at least four Member Authorities.

Substitutes

Agreed named substitutes are allowed.

Remit

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

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

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

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

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

Yorkshire Purchasing Organisation

Joint Consultative Committee Terms of Reference 2021/22

Number of Members

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

Frequency of Meetings

Three times per annum, linked to Management Committee meetings.

Quorum

Two Councillors and two Trade Union officials.

Substitutes

Agreed name substitutes are allowed.

Remit

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

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PRINCIPAL AGENDA ITEMS 2021 - 2022

MANAGEMENT COMMITTEE

November 2021	Author	Agenda
Budget and Business Plans for 2021	M Hirst/ JH	Private
Business Update	SH	Private
YPO Pay Policy	JH	Public
Lead Authority Issues	GM	Public
Report of Independent Director	Independent Directors	Private

March 2022	Author	Agenda
Pre-Audit Statement of Accounts <i>(For information only)</i>	M Hirst/ JH	Public
Dividend Distribution <i>(Total amount of dividend)</i>	M Hirst/ JH	Private
Internal Audit Annual Report	Internal Audit	Public
Lead Authority Issues	GM	Public
Business Update	SH	Private
Report of Independent Director	Independent Directors	Private
Internal Audit Plan	Internal Audit	Public
Treasury Outturn Report	M Hirst/ JH/ Wakefield	Private
Financial Procedure Rules & Standing Orders Relating to Contracts	AHG	Private

July 2022	Author	Agenda
Annual Report	SH	Public
Audited Accounts <i>(For information only)</i>	M Hirst/ JH	Public
Governance Review	AHG	Public
TOR and Work Programme	SH	Public
Business Update	SH	Private
Report of Independent Director	Independent Directors	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>	M Hirst/ JH	Private
Independent Director Recruitment Contract	JH	Private
Gender Pay Gap (for info only)	JH	Public

PRINCIPAL AGENDA ITEMS 2021 - 2022

EXECUTIVE SUB COMMITTEE

November 2021	Author	Agenda
Financial Performance Report (Forecast for next year)	M Hirst/ JH	Private
Lead Authority Issues	GM	Public
Business Update	SH	Private
Attendance Report	JG/ JH	Private
Stock Losses Report	M Hirst/ JH	Private
YPO Pay Policy	JG/ JH	
Independent Director Update – Verbal	Independent Directors	Private

March 2022	Author	Agenda
Financial Performance Report (Earmarked Reserves Spend to be included in this) (Review of previous year performance)	M Hirst/ JH	Private
Lead Authority Issues	GM	Public
Business Update	SH	Private
Standing Orders & Financial Procedure Rules	M Hirst/ JH	Public
Independent Director Update – Verbal	Independent Directors	Private

July 2022	Author	Agenda
Financial Performance Report (Mid-year performance update)	M Hirst/ JH	Private
Lead Authority Issues	GM	Public
Business Update	SH	Private
Exec Sub Work Programme & TOR	SH	Public
Independent Director Update – Verbal	Independent Directors	Private

PRINCIPAL AGENDA ITEMS 2021 - 2022

AUDIT & SCRUTINY SUB COMMITTEE

November 2021	Author	Agenda
Internal Audit Plan Template 2021	Internal Audit	Public
Year End Closedown Timetable	M Hirst/ JH	Public
Link Actions Update	SH	Private
Strategy Update	TBC	Private
External Audit Report	External auditors	Public

March 2022	Author	Agenda
Internal Audit Action Update	AHG	Public
Annual Governance Statement	M Hirst/ JH	Public
Pre-Audit Statement of Accounts <i>(report will be submitted late but will be in for the official papers deadline)</i>	M Hirst/ JH	Public
Internal Audit Annual Report 2021	Internal Audit	Public
Internal Audit Plan 2021	Internal Audit	Public
Link Actions Update	SH	Private
Strategy Update	TBC	Private
Stock Adjustments	M Hirst/ JH	Private
Gifts & Hospitality	AHG	Public
External Audit Plan	External Auditors	Public
Risk Register	AHG	Private

July 2022	Author	Agenda
External Audit Report	External Auditors	Public
Audited Statement of Accounts	M Hirst/ JH	Public
Audit & Scrutiny Sub Work Programme & TOR	SH	Public
Governance Review	AHG	Public
Draft Internal Audit Plan	Internal Audit	Public
Link Actions Update	SH	Private
Strategy Update	TBC	Private

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Date of Meeting		Board Meeting	Strategic Officers Meeting	Executive Sub Committee	Management Committee	JCC Members Meeting	Audit & Scrutiny Sub Committee	Partnership Liaison Meeting
August								
24/08	9:00	Board Meeting						
September								
28/09	9:00	Board Meeting						
October								
TBC	9:00							Partnership Meeting
12/10	10:30		Strategic Officers					
19/10	9:00	Board Meeting						
November								
05/11	10:30						Audit & Scrutiny Sub	
12/11	10:30			Executive Sub				
23/11	9:00	Board Meeting						
26/11	9:30					JCC		
26/11	10:30				Management Committee			
December								
16/12	9:00	Board Meeting						
January								
25/01	9:00	Board Meeting						
February								
TBC	TBC							Partnership Meeting
15/02	10:30		Strategic Officers					
22/02	10:30	Board Meeting						
March								
04/03	10:30						Audit & Scrutiny Sub	
11/03	10:30			Executive Sub				
22/03	9:00	Board Meeting						
25/03	9:30					JCC		
25/03	10:30				Management Committee			
April								
26/04	9:00	Board Meeting						
May								
TBC	TBC							Partnership Meeting
24/05	9:00	Board Meeting						
June								
14/06	10:30		Strategic Officers					
28/06	9:00	Board Meeting						
July								
01/07	10:30						Audit & Scrutiny Sub	
08/07	10:30			Executive Sub				
22/07	9:30					JCC		
22/07	10:30				Management Committee			
26/07	9:00	Board Meeting						

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TRAINING SCHEDULE 2021 - 2022



	EXECUTIVE SUB COM	AUDIT & SCRUTINY SUB COM
Date and Training Topic	November 2021 IT Strategy Darren Elvidge	November 2021 Internal Audit Training Internal Auditors
Date and Training Topic	March 2022 Marketing Strategy Rachel Stothard	March 2022 External Audit Training External Auditors
Date and Training Topic	July 2022 People Strategy Jacqui Green	July 2022 Education Strategy Martin Armytage

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YPO
AUDIT & SCRUTINY SUB-COMMITTEE
TO BE HELD ON
5TH JULY 2021

TITLE: POLICIES AND PROCEDURES 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 the Board and the Audit & Scrutiny Sub-Committee in May and June 2020 the reports listed in the table in Appendix 1 have been reviewed and recommended actions identified.

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 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 Appendix 1 were subject to appropriate consultation before they were finalised and approved.

7. OPTIONS APPRAISAL

- 7.1 Not required

8. RECOMMENDATIONS

8.1 The contents of the table attached at Appendix 1 are noted.

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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E-mail address: andrea.hirst-gee@ypo.co.uk

APPENDIX:

Appendix 1 – Policies & procedures reviewed

Appendix 1

Item	Latest Status	Action
Local Code of Corporate Governance	Annual review and report Jan 2021	Code was fully rewritten in 2019: review identified no further action required at this time.
Annual Governance Review and Annual Governance Statement	Annual review and report Jan 2021	AGS approved and published Feb 2021 (pending inclusion of audit opinions).
Risk Management Strategy & Frame-work	Published Dec 2019. Annual review Jan 2021	Fully revised strategy & framework approved and adopted 2020. Review identified no further action required.
Strategic Risk Register Q1 2021	Annual review and report Jan 2021	Ongoing review of risk ratings. Additional risk profile to be added for 'Single Point of Failure' risk.
Financial Procedure Rules (FPR)	Annual review and update Jan 2021	Review identified no further action required but a need to deliver FPR training to relevant staff.
Outstanding Internal Audit Actions	Annual review and update Jan 2021	No overdue actions to report.
Employee Interests Policy & Register	Policy published 2018. Annual review of register reported Jan 2021.	Policy was fully rewritten in 2018: review identified no further action required. Review of register noted declarations recorded had been signed off, but some declarations were outstanding or overdue.
Gifts & Hospitality Policy & Register	Policy published 2018. Annual review of register reported Jan 2021.	Policy was fully rewritten in 2018: review identified no further action required. Report noted gifts & hospitality over £25
Covid-19 Safety Arrangements: desk-top and site visit review of YPO's arrangements to comply with H&S and other regulation and guidance.	External review and report by independent third party on behalf of YPO insurers.	Recommendations and actions implemented.
Code of Conduct	Reviewed & Agreed in the Board meeting January 2020.	Reviewed & agreed.
Working from home	Reviewed & Agreed in the Board meeting March 2020.	Reviewed & agreed.
Wellbeing Policy	Reviewed & Agreed in the Board meeting November 2020.	Reviewed & agreed.
Agency Usage Policy	Reviewed & Agreed in the Board meeting November 2020.	Reviewed & agreed.
Social Media Policy	Reviewed & Agreed in the Board meeting November 2020.	Reviewed & agreed.
Flexible Working Policy	Reviewed & Agreed in the Board meeting November 2020.	Reviewed & agreed.
Incremental Pay Progression Policy	Reviewed & Agreed in the Board meeting November 2020.	Reviewed & agreed.



YPO

AUDIT & SCRUTINY SUB-COMMITTEE

TO BE HELD ON

5TH JULY 2021

TITLE: BRIBERY RISK ASSESSMENT – REVIEW AND UPDATE

REPORT OF: EXECUTIVE DIRECTOR

1. BACKGROUND INFORMATION

- 1.1 YPO acknowledges that the nature of its business means we are exposed to the risk of bribery and financial corruption and carries out regular assessments to determine the extent of that risk and the adequacy of the controls we have in place to mitigate it.
- 1.2 The Bribery Risk Assessment attached at Appendix 1 includes around 60 risk factors, most of which are rated as low / green for YPO as we are a UK based organisation with good anti-bribery framework of policies and procedures in place. A small number of risks on the assessment are rated medium / amber. These include risks around:
 - Global sourcing of goods from countries and markets known to have a higher risk of bribery and corruption in general terms (according to the Corruption Perception Index)
 - High value contracts and frameworks such as energy and technology
 - The use of intermediaries such as agents, in YPO's case the overseas distributors
 - Interaction with Government and public officials which is specifically covered by the Bribery Act 2010
- 1.3 The risk assessment has now been reviewed and an updated document is attached at Appendix 1. Board are asked to:
 - Review the risk assessment, in particular the text in the 'Detail' and 'Control Measures / Comments' sections, for accuracy and completeness
 - Review the risk ratings, in particular for those risks currently rated amber / medium
 - Note that following the review, amber / medium rated risks will be transferred to the relevant Head of Department's operational risk register
- 1.4 A copy of YPO's current Anti-Bribery Policy Statement is also attached to the report at Appendix 2 for context and ease of reference.

2. STRATEGIC IMPLICATIONS

- 2.1 The bribery risk assessment reflects risks to the delivery of YPO's strategy and those arising from plans to grow and develop the business.

3. FINANCIAL/RESOURCE IMPLICATIONS

3.1 There are no financial implications arising from this review of the risk assessment.

4. LEGAL IMPLICATIONS

4.1 Maintaining a bribery risk assessment and putting in place controls to mitigate any risks identified helps YPO to comply with the Bribery Act 2010.

5. RISK IMPLICATIONS

5.1 Maintaining a bribery risk assessment and reviewing it regularly helps us to identify and mitigate exposure to risk in this area.

6. CONSULTATION

6.1 The Head of Finance has been consulted on this report.

7. OPTIONS APPRAISAL

7.1 None: maintaining the bribery risk assessment is good risk management practice.

8. RECOMMENDATIONS

8.1 Board and Members review the risk assessment based on the points outlined in Para 1.3 (above).

9. REASONS FOR RECOMMENDATIONS

9.1 The updated risk assessment helps to strengthen our risk management arrangements and provides the Board and Members with an opportunity to review them.

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APPENDICES:

Appendix 1: Bribery Risk Assessment 2021

Appendix 2: YPO Anti-Bribery Policy Statement

YPO - BRIBERY RISK ASSESSMENT

Risk Factors	Detail	Old Risk Rating (L, M, H)	New Risk Rating	Control Measures / Comment
The Organisation				
Where is the organisation incorporated?	YPO is a Joint Committee formed in the UK under the Local Authority Goods & Services Act	L		As a UK based public sector organisation the risk of bribery is low and mitigated by existing organisational policies and training.
Is it part of a group of companies?	No	L		
Where is overall management located?	UK	L		
What is the global spread of any subsidiaries or parent companies?	UK	L		
The Business				
In what markets / business sectors does the organisation operate?	YPO supplies goods and services to local authority customers, organisations with local authority funding or those with charitable status such as private schools, further and higher education establishments. The constitution prevents the supply of goods to private companies other than via YPO Supplies Ltd or to individuals for personal use.	L		YPO recognises there are areas of its business (global markets and business activities) that have an increased exposure to bribery risks. This was reinforced by due diligence work in 2019 using the global Corruption Perceptions Index (CPI). The following controls are in place: Anti-Fraud & Bribery Policy Employee Code of Conduct Contract Standing Orders Financial Procedure Rules Gifts and Hospitality Policy Register of Employee Interests Policy Fraud Response Plan Staff training Medium rated risks are transferred to operational risk registers managed by Heads of Trading & Public Sector.
Is part of its business undertaken in the UK?	Yes	L		
Does the business involve import / export?	Yes: global sourcing of goods from overseas	M		
Are any of these markets / business sectors known for general or specific bribery risks?	Yes: China & the Far East	M		
Are there any specific business activities / processes which are at a higher risk of bribery than others	Yes: global sourcing, contracts, and tenders	M		

YPO - BRIBERY RISK ASSESSMENT

Risk Factors	Detail	Old Risk Rating (L, M, H)	New Risk Rating	Control Measures / Comment
Transactions				
Are there any high value / particularly significant transactions that the organisation enters into on a regular / irregular basis?	Yes: energy, technology and other large or high value frameworks and contracts	M		Exposure to risk from overseas distributors was a focus of due diligence work in 2019 using the global CPI.
Do any transactions involve intermediaries, agents, representatives, consortia, JV partners?	Yes: overseas sourcing and distributors	M		Medium rated risks are transferred to operational risk registers managed by Heads of Trading & Public Sector.
Does the organisation depend on a few high value transactions or a mix of transactions?	Mix of transactions	L		Spend on high value frameworks and contracts is monitored by relevant departments.
The Locations				
In which countries does the organisation operate its business?	UK	L		
Does the organisation have any overseas subsidiaries or parent company?	No	L		
Does the organisation operate its business overseas through agents or representatives?	Yes: sales (but not sourcing) are made via overseas distributors.	M		YPO has appointed a number of overseas distributors who sell on YPO products abroad. These distributors are asked to sign up to YPO's Anti-Bribery Policy Statement.
Are any jurisdictions in which the organisation operates known to be high risk jurisdictions for bribery and corruption?	Yes: as per due diligence work carried out in 2019 using the Global Corruptions Perceptions Index (CPI)	M		YPO managers and staff are alert to the increased risks in these areas.
What (if anything) has been done to mitigate or deal with these risks?	Due diligence work and report of the key risk areas by overseas location.	M		Medium rated risks are transferred to operational risk registers managed by Heads of Trading & Public Sector.

YPO - BRIBERY RISK ASSESSMENT

Risk Factors	Detail	Old Risk Rating (L, M, H)	New Risk Rating	Control Measures / Comment
The Management				
Who is responsible for overseeing compliance within the organisation?	UK based Board of Directors includes both Executive and Independent Directors	L		Changes to Board in late 2020 early 2021 included the appointment of a second Independent Director.
Is management at a group or country level?	Local management based within the UK	L		
Do management have oversight of all things done on behalf of the organisation or is oversight delegated to committees or local management?	The Board, with support from the Senior Leadership Team (SLT) are responsible for the operational management of the organisation. Oversight is provided by the Management Committee. The relationship between the two is set out in the Management Agreement, Financial Procedure Rules etc. Further oversight is provided by other groups including Audit & Scrutiny Sub-Committee.	L		The relationship between the Board, Management Committee and other oversight functions is set out in the Local Code of Governance, along with reporting arrangements.
Is there a clear and coherent anti-bribery message coming from management?	Yes. YPO publishes an Anti-Bribery Policy and Statement and communicates its zero tolerance approach to bribery and corruption.	L		Anti-Bribery Policy & Statement published and reviewed annually. All employees, including Board and SLT members must make annual declarations of outside interests and declare Gifts & Hospitality offered and received.
Contractors, Agents and Partners				
Does the organisation use agents or representatives for sales / promotional activities?	YPO does not use third parties for procurement of goods but it does use overseas distributors for sales outside the UK.	L		
Does the organisation have any joint venture partners?	Although not a joint venture it should be noted that EdTech are an associate company of YPO Procurement Holdings Ltd.	M		The relationship with EdTech is covered in the YPO Procurement Holdings Ltd risk register.
Does the organisation impose an anti-bribery policy on its contractual partners?	Yes: conviction for bribery is a reason for automatic refusal under public sector contracting rules.	L		Contract terms
What (if any) due diligence has been undertaken into the organisation's contractual partners?	Contractual partners undergo due diligence as part of the tender / contracting process	L		Contract Standing Orders

YPO - BRIBERY RISK ASSESSMENT

Risk Factors	Detail	Old Risk Rating (L, M, H)	New Risk Rating	Control Measures / Comment
What are the sanctions (if any) against a contractual partner for a breach of a bribery policy?	YPO's Anti-Bribery Policy & Statement states that we will report and co-operate with the investigation of all suspicions or allegations of bribery and that we will cease to do business with anyone convicted. Anti-bribery clause allows contracts to be terminated. Persons found guilty of bribery can be barred from public contracts.	L		Anti-Bribery Policy & Statement Contract Standing Orders
Known Bribery Risks				
Has the organisation faced any bribery incidents in the past?	One allegation made to the MD in the past 5 years by a third party about the actions of an overseas distributor. The allegation was investigated fully in-house, and no evidence found to support it. The investigation and findings were reviewed and approved by Internal Audit. The allegation prompted a reminder to overseas distributors of YPO's zero tolerance approach to bribery and corruption and sign up to the Anti-Bribery Policy & Statement.	L		Anti-Bribery Policy & Statement Whistleblowing Code of Practice Fraud Response Plan
If so, where, when and by whom?		L		
What has been done to prevent such incidents happening again – and has this been successful?		L		
The Policies				
Does the organisation have a clear anti-bribery message?	Yes: YPO has a zero tolerance approach to bribery and corruption and reinforces this message. Link to YPO website Fighting Fraud & Bribery	L		Anti-Bribery Policy & Statement Contract Standing Orders Financial Procedure Rules Employee Code of Conduct Whistleblowing Code of Practice Gifts & Hospitality Policy, Register & Declarations Employee Interests Policy, Register & Declarations Fraud Response Plan
What general compliance policies does the company already have in place?	YPO has an Anti-Bribery & Corruption Framework that includes a suite of corporate, financial and HR related policies (as listed in end column)	L		
Does it have a specific policy regarding bribery?	Yes: YPO Anti-Bribery Policy Statement	L		
Is there a policy on corporate hospitality / promotional expense / charitable donation / sponsorship?	Yes: Gifts & Hospitality Policy etc covers offer and receipt.	L		Gifts & Hospitality Policy, Register and annual review of Declarations
Have the relevant policies been implemented and enforced?	Yes: policies are reviewed regularly and any changes reported to Board. Compliance checks of registers and declarations are carried out & reported annually.	L		Financial Procedure Rules, Gifts & Hospitality Register, and Employee Interests Register were last reviewed

YPO - BRIBERY RISK ASSESSMENT

Risk Factors	Detail	Old Risk Rating (L, M, H)	New Risk Rating	Control Measures / Comment
				and reported Jan 2021.
How are the relevant policies communicated internally or externally?	Some policies and declarations are part of induction. Documents are available on the Intranet and in some cases the YPO web site. Intranet bulletins and emails raise awareness of policy updates and changes. Some are supported by mandatory online learning.	L		
Are staff required to confirm that they have read understood and will adhere to the policy?	The Employee Code of Conduct includes a declaration that employees must sign to confirm they have read and understood various policies. Online learning is checked and followed up.	L		YPO is moving towards technology that can track download of policies and upload of confirmation, but this is not yet consistently in place.
What disciplinary sanctions are there for breach of policy? Have they been applied consistently?	YPO's Anti-Bribery Policy Statement clearly states that we will report and investigate all suspicions or allegations of bribery and that those found guilty will be sanctioned. Employees may face disciplinary action up to and including dismissal. We will cease to do business with any third parties.	L		
What training has been given to staff on bribery?	Office based staff have access to online training. Warehouse based staff receive briefings.	L		Take up of relevant training is monitored and followed up.
Financial Controls				
What is the organisation's budget for corporate hospitality?	None	L		
Does the company allow "off book" accounting?	No	L		Financial Procedure Rules
Has the organisation ever accounted or budgeted for facilitation payments?	No. YPO Anti-Bribery Policy prohibits the offer, solicitation, acceptance, or receipt of facilitation payments.	L		Financial Procedure Rules Anti-Bribery Policy & Statement
What financial controls are imposed on expenses (eg must they be documented / explained)?	Expenses must be fully documented	L		Financial Procedure Rules Travel and Subsistence Policy
Are regular audits / spot checks undertaken to identify anomalies / suspicious transactions?	Yes. HR / Payroll carry out spot checks and all transactions are subject to Internal Audit	L		WMDC Internal Audit Payroll Spot Check

YPO - BRIBERY RISK ASSESSMENT

Risk Factors	Detail	Old Risk Rating (L, M, H)	New Risk Rating	Control Measures / Comment
How and to whom are anomalies reported?	WMDC Internal Audit	L		WMDC Internal Audit Whistleblowing Code of Practice Fraud Response Plan
Interaction with Government & Public Authorities (UK)				
Does the organisation interact with any domestic public officials in its business?	Yes	M		Anti-Bribery Policy & Statement Contract Standing Orders Financial Procedure Rules Employee Code of Conduct Whistleblowing Code of Practice Gifts & Hospitality Policy, Register & Declarations Employee Interests Policy, Register & Declarations Fraud Response Plan
Does the organisation need any public licences to operate its business?	YPO's Fleet Operator Licence is provided via WMDC	L		WMDC Newton Bar Transport
Does the organisation do any public sector contract work?	Yes	M		Contract Standing Orders OJEU Process
Are staff who come into contact with public officials given any particular training?	Yes: all employees receive training on the Anti-Bribery Policy and related policies.	M		
Does the organisation need any public licences to operate its business in foreign countries?	No	L		
Does the organisation do any public sector contract work in foreign countries?	No	L		
Corporate Hospitality / Promotional Expense Policy				
Does the organisation have a policy on corporate hospitality / promotional expense?	Yes	L		Gifts and Hospitality Policy, Register & Declarations
Is there a reporting requirement for hospitality received?	Yes	L		Guidance on completing declarations Register of declarations

YPO - BRIBERY RISK ASSESSMENT

Risk Factors	Detail	Old Risk Rating (L, M, H)	New Risk Rating	Control Measures / Comment
Is there a financial level at which hospitality must be refused by staff?	Yes: Gifts & Hospitality Policy sets out clear rules for the value and type of hospitality that can be accepted, must be authorised, and must be refused.	L		Annual review and report to Board of declarations
Does the organisation impose quotas on the value of hospitality which can be given to a particular person/entity/organisation?	Not a specific financial value but the Gifts & Hospitality Policy sets out clear rules	L		
Is an authorisation process required for either the receipt or the giving of hospitality?	Yes, as set out in the Gifts & Hospitality Policy	L		
How much does the company spend on hospitality?	Negligible	L		
Are there any staff who receive a disproportionate amount of hospitality compared with their equivalent colleagues?	No	L		
Do any members of staff have their remuneration / bonuses linked with high value or public contracts?	No	L		

Organisation: YPO	
Prepared By: Andrea Hirst-Gee Job Title: Assistant Financial Controller Review Date: Q2 2021	Next Review Date: Q2 2022

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Anti-Bribery Policy Statement 2019

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Document Control Page

Document Type	Policy
Document Ownership	Head of Finance
Document Title	Anti-Bribery Policy Statement 2019
Document Status	Final
Reference Number	POL/FIN/AFB/V1
Controlled By	Managing Director
Created / Reviewed By / Date	Assistant Financial Controller May 2019
Agreed By / Date	YPO Board May 2019
Checked for compliance with Contract Standing Orders / Financial Procedure Rules / Date	Yes May 2019
Agreed with Unison / Date	N/A
Approved By / Date	Head of Finance
Maintained By	Assistant Financial Controller
Publication Date	May 2019
Next Review Date	May 2020
Current Version	V1
Distribution	YPO SharePoint / Intranet / Website
Replaces Document	POL/FN020/V4 in part

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YPO Anti-Bribery Policy Statement of Intent 2019

YPO has a zero tolerance approach to bribery as defined by the Bribery Act 2010. We also have a zero tolerance approach to corruption and other financial crime and uphold all laws relating to such crimes, in the UK and the jurisdictions we do business in.

YPO is committed to ensuring its business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for; that funds are used economically, efficiently, and effectively; and that we conduct business openly, transparently and ethically.

YPO expects everyone who works for and on behalf of the organisation to comply with the law; to maintain the highest standards of conduct; and to ensure that their actions and decisions are not influenced by, or may be perceived to be influenced by, the offer or acceptance of inducements or rewards. This applies to all employees, elected members, and “associated parties” including, but not limited to distributors, agents, consultants, contractors, and suppliers who act for or on behalf of, or otherwise represent, YPO.

YPO is the largest formally constituted local authority purchasing consortium in the UK. We provide a professional procurement service supplying products and services to a wide range of public sector customers. We supply goods and services to the private sector via YPO Supplies Ltd and to overseas markets via a number of contracted distributors.

We recognise that the nature of our business means we have a significant exposure to the risk of bribery and corruption. We have put robust arrangements in place to identify and manage this risk and to ensure compliance with UK law and Ministry of Justice Guidance. We demonstrate this by:

- Creating an organisational culture where bribery is not tolerated: a clear message is sent from the top of the organisation (YPO Management Committee and Board) that offering, giving, soliciting or accepting a bribe is unacceptable. Policies, awareness raising and training are in place to ensure everyone understands this message.
- Putting in place proportionate controls to deter, prevent and detect bribery, corruption and other financial crime, including the means to report suspicions or evidence of such activity without fear of recrimination.
- Committing to report and fully investigate, in co-operation with external agencies, such as Internal Audit, Action Fraud and the Police, all allegations or suspicions of bribery
- Sanctioning those guilty of committing an offence. Employees may face disciplinary action. We will not do business, or will cease to do business, with associated parties where there is evidence of improper or criminal activity. We will co-operate with the police and justice system in the prosecution of offenders.
- Seeking redress, where appropriate.

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Bribery

YPO has adopted the definition of bribery given in the UK Bribery Act 2010, that came into force from 1st July 2011, and the supporting Ministry of Justice (MoJ) six guiding principles.

Bribery is defined as offering, promising or giving someone a financial or other advantage to bring about their improper performance, or to reward them for already doing so.

Improper performance means not acting in good faith, impartially or in accordance with a position of trust. This may give commercial, contractual, regulatory or personal advantage.

The Act creates four offences:

- Active bribery: offering, promising or giving a bribe (Section 1)
- Passive bribery: requesting, agreeing to receive or accepting a bribe (Section 2)
- Bribery of a foreign public official in order to obtain or retain business or an advantage in the conduct of business (Section 6)
- Corporate liability for failing to prevent bribery on behalf of a commercial organisation (Section 7)

Facilitation Payments

Facilitation payments are payments made to induce officials to perform routine functions they are otherwise obliged to perform. They are bribes and are not exempt under the Act. Legally required administrative fees and fast-track services are not facilitation payments.

YPO prohibits the offer, solicitation, acceptance, or receipt of facilitation payments.

Hospitality, Promotional and other Business Expenditure

The Act recognises that genuine hospitality, similar promotional or business expenditure can be an important part of doing business and does not seek to criminalise it, provided that it is proportionate and reasonable to the business. However, it also recognises that such expenditure can be employed as bribes. If the authorities thought that hospitality was a cover for bribery, they would look at the level of hospitality offered or accepted; the way in which it was provided; and the level of influence the person receiving it had on the business decision in question.

YPO publishes a Gifts & Hospitality Policy that sets out our rules for offering, accepting, declining and declaring gifts and hospitality and guidance for employees on how to comply with the policy. Compliance is reviewed and reported on a regular basis.



YPO
AUDIT & SCRUTINY COMMITTEE
TO BE HELD ON
5TH JULY 2021

TITLE: CIPFA FINANCIAL MANAGEMENT CODE – SELF ASSESSMENT UPDATE
REPORT OF: HEAD OF FINANCE

1. PURPOSE OF REPORT

1.1 To provide the members with an update following the initial CIPFA Financial Management self-assessment that was presented in March 2021.

2. BACKGROUND INFORMATION

2.1 CIPFA published the updated Financial Management Code in October 2019.

2.2 YPO carried out a self-assessment in line with the code's checklist to identify the strengths and opportunities in regard to the financial resilience and sustainability of the Organisation.

2.3 There are a couple of areas of improvement that were identified. The first area was a greater finance involvement of all decision making / reports to ensure the financial implications are fully captured.

2.4 The second was to evolve the current medium term financial strategy and capital strategy.

3 UPDATE SUMMARY

3.1 The appointment of an Executive Director – Finance has ensured that all business cases / reports are now thoroughly assessed from a financial viewpoint at both Board and Senior Management level. Whilst the post has only been filled for a few weeks' improvements have already been made to ensure all financial implications are captured and that we have consistency across all financial reporting.

3.2 We are in the process of developing the next 3-year strategy which will lead into the 2022 budget and business planning process. An integral part of this will be to develop a medium term financial strategy that captures all the financial elements.

4 RECOMMENDATIONS

4.1 Those members note this report and that further updates will be provided during future Committee cycles.

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	<p style="text-align: center;">REPORT TO</p> <p style="text-align: center;">AUDIT & SCRUTINY SUB COMMITTEE</p> <p style="text-align: center;">5TH JULY 2021</p>
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TITLE: DRAFT ANNUAL INTERNAL AUDIT PLAN 2021

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 report details the proposed Internal Audit Plan for 2021. The purpose of the report is to share the draft internal audit plan with key stakeholders to ensure that effective engagement has taken place throughout the planning process.
- 1.3. The Audit and Scrutiny Sub Committee 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 Overall Plan on Page;
 - 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 For the period 2019-21, Internal Audit has used an indicative 3 Year Audit Plan to identify audit work to conduct each year (see Table 2 of Appendix A). This is updated on an annual basis and aligned to the organisations Risk Register and current

objectives. The rest of this report details the process that has been followed to determine the priorities for the 2021 Internal Audit Plan.

Objectives and priorities of YPO

- 2.3 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.
- 2.4 Following the challenges faced during 2020, the Board concluded that 2021 would be a period of recovery for YPO. This has resulted in the development of an overall 'Plan on a Page' which was approved at the Management Committee on 26 March 2021. The Plan sets the objectives and priorities for the organisation for the coming year. This has been used as a basis for the development of the Internal Audit Plan for 2021. We have linked our proposed audits to these objectives and themes to ensure that the audit plan reflects the strategic direction of YPO in 2021.

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). The highest rated strategic risks (i.e. a score of 8 or more) have been considered during the planning process and mapped to the proposed audits in Appendix A.

Input from key stakeholders

- 2.6 This plan has factored in issues that were previously agreed with this Committee and senior management when the Three Year Internal Audit Plan 2019-21 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.
- 2.7 Discussions have also been held with the Section 151 Officer, the Head of Finance and Assistant Financial Controller to help identify potential new and emerging areas for consideration. An overview of this plan was also shared with all members of the Strategic Officers Group to ensure that there has been sufficient consultation prior to submission to the Audit and Scrutiny Sub Committee.

Conclusion for the proposed audit plan

- 2.8 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

- 2.9 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 2021 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.

Plan for 2022 onwards

- 2.10 As we have reached the end of the three year planning process, it is proposed that new cycle commences in 2022. To ensure compliance with PSIAS, we strongly recommend that the plan includes an audit on ethical standards to ensure effective governance arrangements are in place and also coverage of the safeguarding of assets.

3. STRATEGIC IMPLICATIONS

- 3.1 Section 2 of this report details how the audit plan has been developed, in particular linking with the 2021 Strategic Plan and the risk registers maintained by YPO.

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

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

6. EQUALITY IMPLICATIONS

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

7. RISK IMPLICATIONS

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

8. RECOMMENDATION

- 8.1 The Audit and Scrutiny Sub-Committee is asked to review and provide comments on:
- The proposed Internal Audit Plan for 2021 (see Appendix A).

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Draft Internal Audit Plan 2021

Table 1: Proposed Audits for 2021 Calendar Year

Audit Area	Type of Audit	Brief Summary	Audit Days	Links to YPO Priorities	Links to YPO Risks
Section 151 Assurance Work					
Budgetary Control	Key Financial System	To gain assurance that the budgetary control process is operating effectively.	20	Sustainable Cost Base, Future Growth	SRR-07 SRR-08 SRR-13
Main Accounting System	Key Financial System	To gain assurance that the Main Accounting System is operating effectively, with a focus on credit notes/refund processes.	20	Sustainable Cost Base, Future Growth	SRR-07 SRR-08
Consultancy Work					
Counter-Fraud and Corruption Arrangements	Consultancy	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	Consultancy	To act in a 'critical friend' role for the YPO in offering advice on risk management arrangements.	5 ¹	All	ALL
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, with a focus on the effective record management of training records in Health and Safety.	15	Governance, People	SRR-02 SRR-12
Business Continuity arrangements – contract break clauses	Risk Based	Two stage audit process: 1. Q2 2021 – assist YPO in identifying the key contractual arrangements/single points of failure on which it relies and ensure that these are reflected in operational and strategic risk registers including contract break clauses. 2. Q4 2021 – check that the controls in place to mitigate the risks identified in stage 1 are operating effectively.	15	Governance, Future Growth	SRR-09
Stock Control	Risk-Based	To focus on ensuring effective controls are in place to manage stock control and alignment for accounting purposes.	20	Sustainable Cost Base, Future Growth, Governance	SRR-07 SRR-08

¹ These days will not be included as part of the chargeable days for 2021

Audit Area	Type of Audit	Brief Summary	Audit Days	Links to YPO Priorities	Links to YPO Risks
Warehouse Management System	Risk-Based	A review is required of the newly implemented Warehouse Management System to gain assurance that effective controls are in place.	20	Governance, Technology, Culture	SRR-05 SRR-08
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 2020 work so far.	5	-	-
Contingency Time					
Contingency Time	-	Time set aside for new and emerging risks.	5	-	-
Liaison, Consultancy and Advice					
Liaison, Consultancy and Advice	-	Development of the 2021 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 2019.
Budgetary Control			✓	Last reviewed in 2018.
Creditors (including ordering).	✓			Last reviewed in 2019.
Debtors		✓		Last reviewed in 2020.
Main Accounting System.			✓	Last reviewed in 2018.
Payroll		✓		Last reviewed in 2020.
Consultancy Work				
Counter-fraud and Corruption Arrangements	✓	✓	✓	5 days consultancy service, at no cost to YPO, will be provided to YPO in 2021. 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 2021 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.
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 2021.
Follow-up Reviews				
Follow-up work	✓	✓	✓	As required – a review will be completed of any audits with an opinion of 'partially effective' or 'ineffective'.

Audit Area	2019	2020	2021	Comments
Liaison, Consultancy and Advice				
As appropriate	✓	✓	✓	Attendance at Committees, reporting, liaison and advice.

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