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Our Ref

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Date 24 February 2022

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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, 4 MARCH 2022**

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 Friday, 4 March 2022 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

Friday, 4 March 2022

## 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 November 2021. (Pages 1 - 3)
6. Annual Governance Statement & Local Code of Corporate Governance. (Pages 5 - 37)
7. Review of Financial Procedure Rules. (Pages 39 - 40)
8. Gifts & Hospitality. (Pages 41 - 42)
9. Employee Interests. (Pages 43 - 45)
10. Internal Audit Update Report. (Pages 47 - 51)
11. Draft Internal Audit Plan 2022. (Pages 53 - 61)
12. Internal Audit Actions Update. (Pages 63 - 65)
13. External Audit Update Report. (Pages 67 - 81)
14. Draft Pre-Audit Statement of Accounts - *To follow*.
15. Exclusion of the Public and Press  
“That the public and press be excluded from the meeting during consideration of agenda item 16 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

16. Fraud Prevention Follow up report. (Pages 83 - 85)
17. Date of Next Meeting.  
*1<sup>st</sup> July 2022.*

**YORKSHIRE PURCHASING ORGANISATION**

**AUDIT & SCRUTINY SUB-COMMITTEE**

**FRIDAY, 5<sup>TH</sup> NOVEMBER 2021**

**Present:** The Chair: Councillor Mackenzie (North Yorkshire)

Councillors: Barnard (Barnsley), Barnes (Calderdale), Cole (Doncaster)

<b>1.</b>	<b>CHAIR'S INTRODUCTION &amp; WELCOME</b>
	Councillor Mackenzie welcomed all parties to the meeting.
<b>2.</b>	<b>ACCEPTANCE OF APOLOGIES FOR ABSENCE</b>
	Apologies for absence were received on behalf of Councillors Nightingale (Doncaster), Williams (Wakefield), Prescott (Wigan), Groucutt (St Helens), Wyatt (Rotherham), Davies (Kirklees), Haslam (Bolton), Lomas (York), Salam (Bradford).
<b>3.</b>	<b>MEMBERS DECLARATION OF INTEREST</b>
	No declarations of interest were made.
<b>4.</b>	<b>URGENT ITEMS</b>
	No urgent items were raised.
<b>5.</b>	<b>PREVIOUS MINUTES (AUDIT &amp; SCRUTINY SUB COMMITTEE)</b>
	The minutes of the YPO Audit & Scrutiny Sub-Committee held on 5 <sup>th</sup> July 2021 were approved by all.
<b>6.</b>	<b>INTERNAL AUDIT PLAN 2021 PROGRESS REPORT</b>
	Julie Cousins, Principal Audit Manager (Wakefield Council) shared the progress report from Internal audit.  <b>Resolved</b> – (1) That Members acknowledged the plan and the report be noted.
<b>7.</b>	<b>YEAREND CLOSEDOWN TIMETABLE</b>
	Julie Hawley (Executive Director) shared the report of the Head of Finance which informed Members of the contents of the 2021 Closedown Timetable.  <b>Resolved</b> – (1) That the timetable shown in Appendix 1 is approved.
<b>8.</b>	<b>EXTERNAL AUDIT STRATEGY MEMORANDUM</b>

	<p>Alastair Newall (Mazars) shared the draft External Audit Strategy Memorandum from Mazars.</p> <p>Councillors asked a number of questions and were satisfied with the responses provided.</p> <p><b>Resolved</b> – (1) That the report be noted.</p>
<b>9.</b>	<b>CIPFA FINANCIAL MANAGEMENT GUIDE UPDATES - VERBAL</b>
	<p>Julie Hawley (Executive Director) shared a verbal update on the CIPFA Financial Management guide.</p> <p><b>Resolved</b> – (1) That the updates be noted.</p>
<b>10.</b>	<b>FRAUD PREVENTION REPORT</b>
	<p>Consideration was given to a report of the Managing Director which informed Members of the broad framework in place to help to minimise the risk of fraud and to manage fraud discovery, reporting and investigation.</p> <p>Members asked a number of questions and were satisfied with the responses provided by Officers.</p> <p>Jon Towler suggested some further data be brought back to the next meeting to give a further understanding of the risk.</p> <p><b>Resolved</b> – (1) That the Fraud Prevention Report be noted.</p> <p>(2) It was agreed a short follow up report including the data on the measures taken would be brought back to the next meeting.</p>
<b>11.</b>	<b>EXCLUSION OF THE PUBLIC AND PRESS</b>
	<p><b>Resolved</b> – That the public and press be excluded from the meeting during consideration of agenda items 12 - 13 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>
<b>12.</b>	<b>DECLARATION OF INTERESTS UPDATE</b>
	<p>Consideration was given to a report of the Managing Director which provided Members with an update on the number of outstanding declaration of interests for YPO.</p> <p>Simon Hill shared that since the report was written, further declarations have been submitted.</p> <p>Simon Hill suggested a review of the policy take place and a report on any</p>

	<p>update following this to be brought back to this Committee.</p> <p><b>Resolved –</b> (1) That the Declaration of Interests update be noted.</p> <p>(2) It was agreed a review of the Declaration of Interest policy would take place and any updates following this would be reported back to this Committee.</p>
<b>13.</b>	<b>THIRD PARTY LOGISTICS COSTINGS UPDATE</b>
	<p>Consideration was given to a report of the Head of Finance which provides members with an update on the financial impact that the change in third party logistics providers had in 2021.</p> <p>Councillors made a number of comments on the report which were accepted by Officers.</p> <p><b>Resolved –</b> (1) That the Third-Party Logistics Costings Update Report be noted.</p>
<b>14.</b>	<b>DATE AND TIME OF NEXT MEETING</b>
	<p><b>Resolved –</b> (1) That the next meeting of the YPO Audit &amp; Scrutiny Sub Committee is proposed to be held on 4<sup>th</sup> March 2022, 10.30am.</p>

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**YPO**

**AUDIT & SCRUTINY SUB-COMMITTEE**

**TO BE HELD ON**

**4<sup>TH</sup> MARCH 2022**

**TITLE: ANNUAL GOVERNANCE STATEMENT 2021 & LOCAL CODE OF GOVERNANCE**

**REPORT OF: EXECUTIVE DIRECTOR FINANCE**

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**1. BACKGROUND INFORMATION**

- 1.1 YPO must comply with the CIPFA / SOLACE: Delivering Good Governance in Local Government Framework 2016 and Accounts & Audit Regulations 2015. Compliance involves three key elements: publishing a Local Code of Governance (that reflects the requirements of the framework); undertaking a review of activity against the local code (in accordance with 'proper practice'); and publishing the results of the review in an Annual Governance Statement (AGS).
- 1.2 The Local Code was fully revised and updated in 2019 and no changes are proposed. The first draft of the AGS 2021 is attached to this report for consideration. It has been compiled in accordance with proper practice.

**2. STRATEGIC IMPLICATIONS**

- 2.1 The Local Code of Governance and AGS are key documents that help to demonstrate YPO's commitment to good governance.

**3. FINANCIAL/RESOURCE IMPLICATIONS**

- 3.1 There are no financial implications arising from this report.

**4. LEGAL IMPLICATIONS**

- 4.1 There are no legal implications arising from this report: YPO continues to meet the requirements of the CIPFA / SOLACE Framework and Accounts & Audit Regulations 2015.

**5. RISK IMPLICATIONS**

- 5.1 There are no risk implications arising from this report.

**6. CONSULTATION**

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

**7. OPTIONS APPRAISAL**

- 7.1 None: YPO must publish a Local Code of Governance, conduct an annual governance review, and report the results in an Annual Governance Statement, in accordance with the CIPFA / SOLACE Framework 2016 and the Accounts & Audit Regulations 2015.

**8. RECOMMENDATIONS**

- 8.1 Members receive the first draft of the Annual Governance Statement 2021 for discussion and agreement, and note there are no changes to the Local Code of Governance following the 2018 update.

**9. REASONS FOR RECOMMENDATIONS**

- 9.1 The Local Code of Governance, and the annual governance review, that is reported in the Annual Governance Statement, are required to comply with the CIPFA / SOLACE Framework 2016 and the Accounts & Audit Regulations 2015.

**SERVICE DIRECTOR: JULIE HAWLEY EXECUTIVE DIRECTOR FINANCE**

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**APPENDICES**

*Appendix 1: Annual Governance Statement 2021 First Draft*

*Appendix 2: Local Code of Corporate Governance 2019 (for information only: no changes)*

## Annual Governance Statement 2021

### Scope of Responsibility

YPO is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. YPO also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

YPO acknowledges its responsibility for putting in place proper and effective governance arrangements. YPO has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the 2016 CIPFA / SOLACE Framework Delivering Good Governance in Local Government. A copy of YPO's [Local Code](#) is available on our website [www.ypo.co.uk](http://www.ypo.co.uk) or can be obtained by telephoning 01924 834984.

YPO must conduct a review, at least once a year, of the effectiveness of its systems of internal control and report the findings in an Annual Governance Statement. This Statement has been prepared in accordance with the proper practices set out in the CIPFA / SOLACE Framework. It explains how YPO has complied with the Code and also meets the requirements of Accounts and Audit Regulations 2015, Regulation 6 which requires all relevant bodies to prepare an Annual Governance Statement.

### The Governance Framework

Governance is about ensuring that we do the right things, at the right time, in the right way, for the right people in an open, transparent, honest and accountable manner.

YPO's governance framework comprises the systems and processes, culture and values by which we direct and control the organisation, engage with, and remain accountable to, our owners and other key stakeholders. It enables YPO to monitor the achievement of our strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

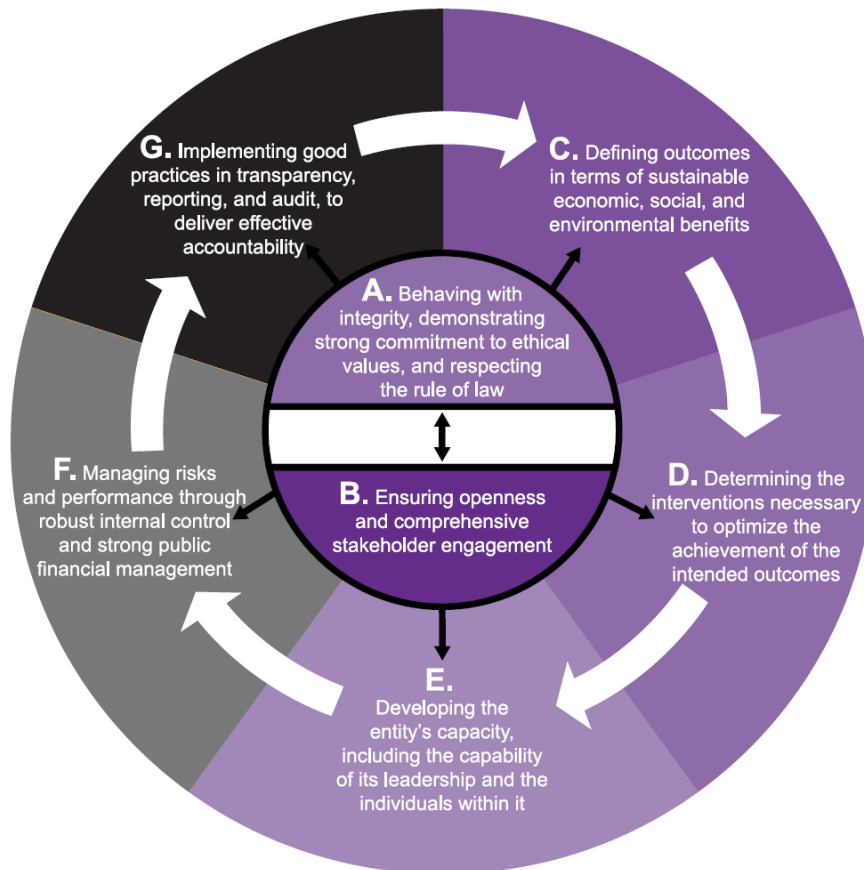
The system of internal control is a significant part of our governance framework and is designed to manage risk to a reasonable level. It helps us to identify and prioritise the risks to the achievement of our policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically. We cannot eliminate all risk so we can only provide reasonable and not absolute assurance of its effectiveness.

The governance framework is kept under review and has been in place at YPO for the year ended 31<sup>st</sup> December 2021 and up to the date of approval of the statement of accounts.

## Annual Governance Statement 2021

### YPO's Local Code of Corporate Governance and Annual Governance Statement

YPO's corporate governance reporting is based on the underlying CIPFA / SOLACE Good Governance in Local Government Framework. In 2016 this framework was updated, and new principles established with the aim of helping organisations to achieve their intended outcomes while acting in the public interest at all times.



Publication of the 2016 Framework gave us the opportunity to review and update both the format and contents of our Annual Governance Statement and Local Code of Governance.

Much of the detail published in our Annual Governance Statement prior to 2018 is now published in our revised [Local Code of Corporate Governance](#). This enabled us to reduce the amount of detail in this statement and meet the CIPFA / SOLACE 2016 Framework recommendation that the statement is high level, strategic and readable, with a focus on the results of the annual review of the effectiveness of our governance arrangements.

## **Annual Governance Statement 2021**

### **Purpose of the Annual Governance Statement**

YPO prepares an Annual Governance Statement in order to report publicly on the extent to which we comply with our own Local Code of Corporate Governance and carried out an annual review to ensure that our governance arrangements remain effective. The statement enables YPO to communicate to our owners, members, partners, suppliers, customers and other stakeholders how the controls we have put in place help to manage the risks to the delivery of our objectives.

The process of preparing the Annual Governance Statement itself adds value to the effectiveness of the governance and internal control framework.

The Annual Governance Statement is signed by the Managing Director on behalf of YPO and the Chair of the Audit & Scrutiny Sub-Committee.

The Annual Governance Statement is considered and approved by the Audit Sub-Committee on behalf of the Management Committee and included with YPO's statement of accounts.

## Annual Governance Statement 2021

### How does governance work in practice at YPO?

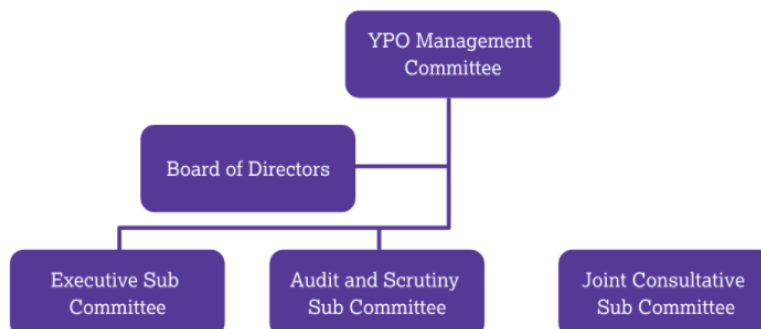
YPO is a Joint Committee formed under the Local Authority (Goods and Services) Act 1970. As the largest formally constituted local authority purchasing consortium in the UK, YPO is governed by a management committee of elected representatives (councillors) from its founder member authorities. The Management Committee, which consists of representatives from each of the thirteen founder authorities, governs YPO policy and decision making arrangements and reflects openness, accountability and transparency. Specific procedural rules, protocols and policies are in place to govern committee functions and delegated authority. The Management Committee and all Sub-Committees have clear terms of reference that are reviewed on a regular basis.

A Scheme of Delegation is in place which enables the Board of Directors of YPO to make decisions on behalf of the Management Committee, except for certain specific matters which are reserved for the Management Committee, Sub-Committees or the statutory officers of YPO. The Management Committee appoint an Independent Director to sit on the Board to provide an extra level of assurance that the Board is running YPO effectively.

The Statutory Finance (S151) Officer of the Lead Authority is responsible to the Management Committee for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control. The Managing Director has a clear role, responsibility and duty, as specified in the Scheme of Delegation and the Financial Procedure Rules, for day to day financial management and adherence.

The Statutory Monitoring Officer of the Lead Authority is responsible to the Management Committee for ensuring that agreed procedures are followed and that all applicable Statutes and Regulations are complied with. Members of the YPO Board of Directors have clear roles, responsibilities and duties as specified in the Scheme of Delegation for day to day governance.

The YPO Board have regular meetings with the Strategic Officers Group (which is comprised of senior officers from member authorities), the Section 151 Officer and Monitoring Officer of the Lead Authority. The Lead Authorities Internal Audit team is responsible for providing an independent and objective opinion on the control environment within YPO. Their audit plan and subsequent findings are reported to the Directors of YPO, the Management Committee and the Audit & Scrutiny Sub-Committee.



## Annual Governance Statement 2021

### How has the Annual Governance Statement been prepared? – Simon Hill, Managing Director

In preparing the Annual Governance Statement, YPO has:

- Reviewed our existing governance arrangements against the CIPFA / SOLACE 2016 framework, as reflected in our Local Code of Corporate Governance, to make sure they remain effective and up to date
- Completed a Board Assurance Process that gives Board Members the opportunity to reflect on governance in the past year and how we meet each of the principles and sub-principles set out in our Local Code. We don't wait until the annual review to take any action needed, but if there is anything still outstanding at the year end, we report it in the Annual Governance Statement, along with a plan for how we are, or are proposing, to address the issue in the following year
- Reviewed other sources of assurance and what this tells us about how governance and controls are working in practice at YPO. Our main sources of assurance are:
  - Wakefield Council – as our Lead Authority, the Council provides us with the services of a Chief Financial Officer (and S151 Officer) and Monitoring Officer, who play key roles in helping to ensure that YPO operates within financial and other regulatory requirements.
  - Wakefield Council also provides our Internal Audit function. The Internal Audit Team is responsible for providing an independent and objective opinion on the control environment within YPO. Their audit plan and subsequent findings are reported to the Directors of YPO, the Management Committee, and the Audit Sub-Committee. The Head of Audit has access to the Managing Director and Board Members at any time and submits an annual report each year.
  - External Audit, currently provided by Mazars, who examine our financial statements and highlight any matters for report on the annual governance statement.
  - The Management Committee – YPO is managed by a committee of elected representatives from our 13 public sector founder member local authorities.
  - Audit & Scrutiny Sub-Committee – this consists of 16 elected representatives from our 13 public sector founder members (not the Chair or Vice Chair of the Management Committee) – previously separate sub-committees the Audit and Scrutiny Sub-Committees were merged into one sub-committee from April 2017
  - The Senior Leadership Team and other senior managers who contribute to the development and maintenance of YPO's governance arrangements
  - The Independent Directors: the postholders' roles are to provide robust challenge and constructive questions to the Board; help to maintain standards of probity within the regulatory and governance framework; understand and demonstrate commitment to YPO's culture, ethos, objectives and values; and to report independently to each meeting of the YPO Management Committee.

## Annual Governance Statement 2021

### Review of Effectiveness

The [Management Committee](#) met three times in 2021 to consider matters such as:

- YPO Annual Report, Business Update, Business Plans and Budgets 2022
- Audited Statement of Accounts and Financial Performance Review updates
- External Audit Plan Update 2021 and Completion Report 2020
- Internal Audit Draft Annual Plan 2021 and Audit Opinion 2020
- Report of Independent Directors
- Appointment of Executive Directors
- YPO 3-5 Year Strategy
- Powers & Governance Structure Review
- Operational issues including LINK and Third Party Logistics

The [Audit & Scrutiny Sub-Committee](#) met three times and considered matters such as:

- Local Code of Corporate Governance and Annual Governance Statement
- Pre-Audited and Final Statement of Accounts
- External Audit Update and Strategy Memorandum
- Internal Audit Plan Progress, Internal Audit Actions Update, and IA opinion
- Strategic Risk Register
- Financial Procedure Rules
- Annual review of Gifts & Hospitality and Employee Declarations of Interest
- Internal Audit Actions Update
- LINK Update Report
- Third Party Logistics Update and Review of YPO's Contractual Arrangements
- CIPFA Financial Code Self-Assessment
- Bribery Risk Assessment and a Fraud Prevention Report

Wakefield Council Internal Audit's overall opinion on the systems of internal control at YPO during 2021 is: *(placeholder for 2021 opinion)*

*"For the calendar year of 2020, based upon internal audit work and that of other assurance providers, it is my professional opinion that YPO has appropriate policies and procedures to help in the delivery of organisational objectives and priorities. This provides a solid foundation in terms of its control environment and is supported by a reporting structure that should allow sufficient scrutiny and challenge (i.e. governance arrangements), and a risk management framework that is consistent with good practice."*

Mazars LLP issued the following audit opinion on YPO's 2021 Financial Statements:  
*(placeholder for 2021 opinion)*

*"In our opinion, the financial statements:*

## Annual Governance Statement 2021

- *give a true and fair view of the financial position of the Organisation as at 31<sup>st</sup> December 2020 and of the Organisation's income and expenditure 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 2019/20."*

As part of the review of overall effectiveness, YPO Board Members considered the governance arrangements, including significant governance issues reported previously and new issues identified. As part of our commitment to continuous improvement, we plan to further strengthen arrangements, where required, in the areas identified.

### Significant Governance Issues

The Annual Governance Review has identified several areas of change. In some cases governance and internal control has been strengthened and assurance provided: in others, risks and issues have been recognised and action put in place to address them.

### LINK Programme

Following implementation of the NAV financial management system in Dec 2019 there were issues around NAV integration with the Warehouse Management System (WMS) that resulted in missing orders, duplicate orders and work arounds. There was also an issue with invoice generation that created a backlog in early 2020. User interface issues included system locks that had an impact on query management and customer call times. These issues caused stock alignment problems (NAV, WMS and physical stock numbers) but these have now been addressed. In Oct 2021 a full stock take was carried out across all YPO sites. YPO commissioned [Hatmill – Supply chain and logistics experts](#) to carry out a post implementation review of the project and their report was received and acted on in 2020/21.

### Response to Covid-19

Like many organisations YPO has been dealing with the impact of the Covid-19 pandemic. From an operational perspective our business continuity arrangements have worked well and contributed, alongside other factors, to the continued operation and initial recovery of the business. An independent review carried out on behalf of our liability insurers provided assurance that YPO's compliance with UK Government guidance has been good.

### Modern Workplace

As part of a gradual and managed response to UK Government Covid-19 guidelines for returning to work, in summer 2021 YPO initiated a Modern Workplace project. Employee consultation indicated that the majority of non-operations staff would like to return to blended working arrangements (part home based / part site based). The project has enabled employees to return in a way that safeguards their health, safety and wellbeing.

## Annual Governance Statement 2021

### **YPO Board**

YPO strengthened its governance structure with the appointment of an Executive Director Finance and an Executive Director Logistics in Summer 2021. Including the two Independent Directors, there are now six YPO Board Members. The Board have developed a new YPO 3-5 Year Strategy that will be launched to the organisation in January 2022.

### **Third Party Logistics and Review of Contractual Arrangements**

In May 2021 our contract with a long standing third party logistics provider came to an end. This prompted a review and report of YPO's contractual arrangements and single point of failure risks to identify any further areas of concern for attention. We have since partnered with several other 3PL providers, sharing the work to improve our resilience.

### **Supply Chain and Modern Slavery**

In June 2021 we published a fully revised [Modern Slavery Statement](#) that outlines our approach to ethical trade audits; supply chain compliance and due diligence; our Supplier Code of Conduct; training and awareness raising; and commitment to social value.

### **Digital and Business Transformation**

YPO is embracing digital technologies, improving processes and ways of working to deliver better customer and employee experiences, to manage business risk, and control costs. The Covid-19 pandemic has accelerated YPO's digital transformation, and we have enlisted a digital partner to create a three year road map. In late 2021 we began to phase out telephone ordering and to convert customers to online orders. Channel shift will enable us to provide a more efficient service and reduce our printed catalogue suite.

### **Changes to the Governance Structure**

Development of the new 3-5 Year Strategy included a review of the governance structure. A proposal for changes to committees is still in draft and will be reported later in 2022 with a recommendation to implement changes in the 2023 committee cycle.

**Annual Governance Statement 2021****The Role of the Audit & Scrutiny Sub-Committee – Chair Cllr Don Mackenzie, North Yorkshire County Council**

The role of the Audit & Scrutiny Sub-Committee is to ensure that the highest standards of probity and public accountability are demonstrated and, in doing so, ensure effective governance of YPO. The Sub-Committee provides 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. In particular we consider the Internal Audit plan and performance and oversee the completion of actions to improve internal control; the External Audit work programme and opinion; and the effectiveness of YPO's arrangements for risk management and decision making.

On behalf of the Audit & Scrutiny Sub-Committee I am delighted to approve the Annual Governance Statement 2021 and recommend it to the Management Committee for inclusion with the Statement of Accounts.

**Declaration**

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Board of Directors and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Any areas for improvement identified have been detailed above.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Chair of the Audit & Scrutiny Sub-Committee

Managing Director

Date

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**Code of Corporate  
Governance**

## YPO Local Code of Corporate Governance 2019

### Document Control Page

Document Type	Policy	
Document Ownership	Corporate	
Title of Document	Code of Corporate Governance	
Status	FINAL	
Reference number	POL/FN056/v5	
Controlled by	Managing Director	
Created/ reviewed by / date:	Assistant Financial Controller	Jan 2019
Agreed by / date:	Audit & Scrutiny Sub-Committee	Feb 2019
Checked for compliance with contract standing orders and financial procedures / date:		
Agreed with Unison / date:		
Maintained by	Assistant Financial Controller	
Publication date	Feb 2019	
Next Review date	Jan 2020	
Current Version	V5	
Distribution	All employees, Intranet, Internet (YPO website), SharePoint	
Replaces document	POL/FN056/v4 Annual Review & Update reflects updated legislation and guidance	

## YPO Local Code of Corporate Governance 2019

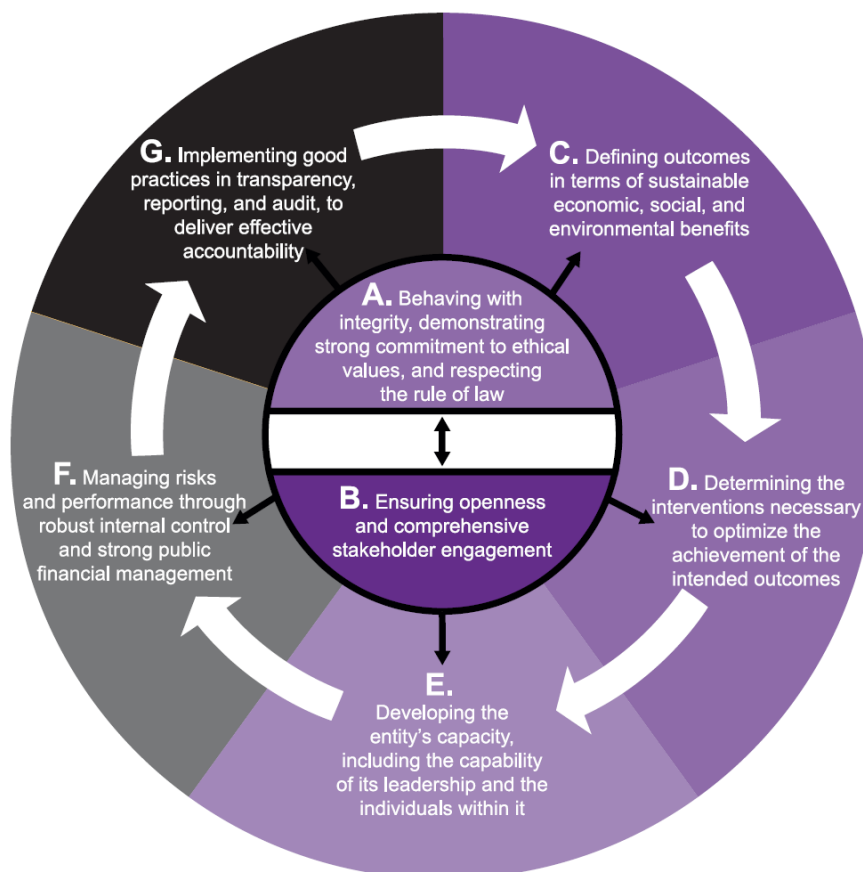
### International Framework: Good Governance in the Public Sector (CIPFA/IFAC 2014)

The International Framework: Good Governance in the Public Sector (CIPFA/IFAC 2014) illustrates the various principles of good governance in the public sector and how they relate to each other. The aim of the governance principles is:

**“Achieving the intended outcomes while acting in the public interest at all times”**

The diagram below is taken from the International Framework and shows how the principles relate to each other. The International Framework notes that:

“Principles A and B permeate implementation of Principles C to G. The diagram illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.”



The International Framework defines governance as follows: “the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.”

“To deliver good governance in the public sector, both governing bodies and individuals working for public sector organisations must try to achieve the organisation’s objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

## **YPO Local Code of Corporate Governance 2019**

### **Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE 2016)**

In 2016 CIPFA / SOLACE published Delivering Good Governance in Local Government: Framework. This document interprets the core principles and sub-principles set out in the International Framework for a local government context.

The CIPFA / SOLACE framework is applicable to all parts of local government and its partnerships, joint boards and other vehicles through which local authorities deliver their services. However the framework recognises that a one-size-fits-all approach is inappropriate as not all parts of the framework will be applicable to all organisations. It is up to each organisation to:

- Set out its commitment to the principles of good governance included in the Framework
- Determine its own governance structure, or local code, underpinned by these principles
- Ensure that it remains up to date, relevant and operates effectively in practice

Regulation 6(a) of the Accounts & Audit Regulations 2015 requires an authority to conduct a review at least annually of the effectiveness of its system of internal control and include a statement reporting the review with any published Statement of Accounts, in accordance with proper practices.

Carrying out the annual review and preparing an Annual Governance Statement in accordance with the 2016 CIPFA/SOLACE Framework fulfils this statutory requirement.

### **YPO's Commitment to Good Governance**

YPO is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and that these funds are used economically, efficiently and effectively. YPO also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

YPO acknowledges its responsibility for putting in place proper and effective governance arrangements. YPO has approved and adopted this Local Code of Corporate Governance which is consistent with the principles of the 2016 CIPFA / SOLACE Framework.

YPO will also conduct a review at least annually of the effectiveness of its systems of internal control and report the findings in an Annual Governance Statement, in accordance with the proper practice set out in the 2016 CIPFA / SOLACE Framework. This statement will explain how YPO has complied with this Local Code.

**YPO Local Code of Corporate Governance 2019****Purpose of YPO's Governance Framework**

Governance is about ensuring that we do the right things, at the right time, in the right way, for the right people in an open, transparent, honest and accountable manner.

YPO's governance framework comprises the systems and processes, culture and values by which we direct and control the organisation, engage with, and remain accountable to, our owners and other key stakeholders. It enables YPO to monitor the achievement of our strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of our governance framework and is designed to manage risk to a reasonable level. It helps us to identify and prioritise the risks to the achievement of our policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically. We cannot eliminate all risk so we can only provide reasonable and not absolute assurance of its effectiveness.

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### How does governance work in practice at YPO?

YPO is a Joint Committee formed under the Local Authority (Goods and Services) Act 1970. As the largest formally constituted local authority purchasing consortium in the UK, YPO is governed by a management committee of elected representatives (councillors) from its owning member authorities. The Management Committee, which consists of representatives from each of the thirteen founder authorities, governs YPO policy and decision making arrangements and reflects openness, accountability and transparency. Specific procedural rules, protocols and policies are in place to govern committee functions and delegated authority. The Management Committee and all Sub-Committees have clear terms of reference that are reviewed on a regular basis.

A Scheme of Delegation is in place which enables the Board of Directors of YPO to make decisions on behalf of the Management Committee, except for certain specific matters which are reserved for the Management Committee, Sub-Committees or the statutory officers of YPO.

The Statutory Finance (S151) Officer of the Lead Authority is responsible to the Management Committee for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control. The Managing Director has a clear role, responsibility and duty as specified in the Scheme of Delegation and the Financial Procedure Rules for day to day financial management and adherence.

The Statutory Monitoring Officer of the Lead Authority is responsible to the Management Committee for ensuring that agreed procedures are followed and that all applicable Statutes and Regulations are complied with. Members of the YPO Board of Directors have clear roles, responsibilities and duties as specified in the Scheme of Delegation for day to day governance.

The YPO Board have regular meetings with the Strategic Officers Group (which is comprised of senior officers from member authorities), the Section 151 Officer and Monitoring Officer of the Lead Authority. The Lead Authorities Internal Audit team is responsible for providing an independent and objective opinion on the control environment within YPO. Their audit plan and subsequent findings are reported to the Directors of YPO, the Management Committee and the Audit Sub-Committee.



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**Principle A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

Local Government organisations are accountable for how much they spend, and how they use the resources under their stewardship. This includes outputs, positive and negative, and for the outcomes they have achieved. They have an overarching responsibility to serve the public interest in adhering to legislation and government policies. It is essential that they can demonstrate the appropriateness of their actions and have the mechanisms in place to encourage and enforce ethical values and respect for the law.

<b>Supporting Principle – Behaving with Integrity</b>	
<b>Behaviours and actions that demonstrate good governance in practice</b>	<b>How we demonstrate this at YPO</b>
Members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the organisation’s reputation	YPO’s committees are made up of elected members from our 13 Founder Member local authorities. Members complete their own council’s induction and training and must comply with their codes of conduct, members interests policy etc. Each year, YPO’s Head of Finance reviews committee members’ declarations of interest to identify potential conflicts of interest.
Members take the lead in establishing specific standard operating principles and values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles – selflessness; integrity; objectivity; accountability; openness; honesty; leadership)	The first agenda item on all <a href="#">Management Committee</a> and other member meetings is declaration of interests.  All employees receive an induction pack when starting work at YPO that includes the <a href="#">Employee Code of Conduct</a> There is a process in place to ensure employees and managers sign off the completed induction.
Lead by example. Use standard operating principles or values for decision making and other actions.  Demonstrate, communicate and embed the standard operating principles through appropriate policies and processes which are reviewed on a regular basis to ensure they are operating effectively.	YPO’s values are the things we believe in: they are practical, directly inform the decisions we make and actions we take, and are visibly demonstrated through employee behaviour. <ul style="list-style-type: none"> <li>• We care</li> <li>• We are helpful</li> <li>• We don’t like waste</li> <li>• We are straight talking</li> </ul> YPO’s Anti-Fraud & Bribery Framework includes <ul style="list-style-type: none"> <li>• Anti-Fraud &amp; Bribery Risk Assessments</li> <li>• Anti-Fraud &amp; Bribery Policy</li> <li>• Fraud Response Plan</li> <li>• Employee Interests Policy &amp; Register</li> <li>• Gifts &amp; Hospitality Policy &amp; Register</li> <li>• Whistle Blowing Policy</li> </ul>

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<b>Supporting Principle – Demonstrating strong commitment to ethical values</b>	
<b>Behaviours and actions that demonstrate good governance in practice</b>	<b>How we demonstrate this at YPO</b>
Seeking to establish, monitor and maintain the organisation's ethical standards and performance	As a large public sector employer YPO has a role to strengthen the communities and societies we do business in, to benefit the environment, our customers and consumers, employees, stakeholders and other members of the public.
Underpinning personal behaviour with ethical values and ensuring that they permeate all aspects of the organisation's culture and operation	YPO is committed to high standards of <a href="#">Corporate Social Responsibility</a> We are certified to the ISO14001 standard, publish a <a href="#">Modern Slavery Statement</a> and are embedding UN Sustainable Development Goals in all our procurements.
Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values	YPO's <a href="#">Audit &amp; Scrutiny Sub-Committee</a> meets quarterly and plays a key role in holding the Board and Management Committee to account.
Ensuring that external suppliers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation	YPO publishes a <a href="#">Recruitment &amp; Selection Policy</a> and further guidance on staff appointments.  YPO's Anti-Fraud & Bribery Policy applies to associated persons including members, suppliers and distributors, who are asked to sign up to the Policy Statement.

<b>Supporting Principle – Respecting the rule of law</b>	
<b>Behaviours and actions that demonstrate good governance in practice</b>	<b>How we demonstrate this at YPO</b>
Ensuring members and staff demonstrate a strong commitment to the rule of law as well as adhering to relevant laws and regulations	Wakefield Council act as YPO's Lead Authority and provide various governance related functions including: Section 151 Officer (Chief Financial Officer), Internal Audit, Committee Support and Monitoring Officer. The latter ensures YPO complies with all relevant regulation and statutes  Report templates include a mandatory section for Legal Implications. Where appropriate, the Contracts Manager is consulted on any legal implications. Legal advice from Wakefield Council is recorded in meeting minutes.
Creating the conditions to ensure that statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements	
Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders	
Dealing with breaches of legal and regulatory provisions effectively	
Ensuring corruption and misuse of power are dealt with effectively	Internal Audit test YPO's Anti-Fraud & Bribery Framework on a regular basis to provide assurance that it is working effectively in practice

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### Principle B Ensuring openness and comprehensive stakeholder engagement

Local Government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

<b>Supporting Principle – Openness</b>	
<b>Behaviours and actions that demonstrate good governance in practice</b>	<b>How we demonstrate this at YPO</b>
Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness	<a href="#">YPO's</a> website is both transactional, enabling purchases, and provides information about our <a href="#">governance arrangements</a> , details of our compliance with <a href="#">transparency</a> requirements and access to information including our Access to Information Policy and Guide to Information.
Making decisions that are open about actions, plans, resource use, forecasts, outcomes and outputs. Presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided	YPO publishes an <a href="#">Annual Report</a> that sets out our performance, achievements and improvements in the past year and our plans for the year ahead.
Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.	An annual timetable of meetings, reports and training is agreed with the Management Committee and other relevant committees and sub-committees each year, and adhered to. Variations to the timetable are allowed if reasons are given and agreed in advance.
Using formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action	YPO elected member meeting papers are published in the <a href="#">Governance</a> section of our website except where they include exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972. Meetings are open to the public except when exempt information is being considered.

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<b>Supporting Principle – Engaging institutional &amp; individual stakeholders effectively</b>	
<b>Behaviours and actions that demonstrate good governance in practice</b>	<b>How we demonstrate this at YPO</b>
Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably	As a public sector procurement organisation, YPO's key institutional stakeholders are its Founder Members, Associate Members, Strategic Partners, Suppliers, Distributors and local communities. YPO's key individual stakeholders are its Customers and Employees.
Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	YPO engages with its owners both formally and informally, on a regular basis. Consultation and agreement on the 3 year strategy ensures that YPO's objectives are aligned to our owners' long term and political wishes. Regular engagement also takes place through the Strategic Officers Advisory Group (SOAG), which is comprised of senior officers from member authorities, the Lead Authority's Monitoring Officer and Section 151 Officer.
Ensuring that partnerships are based on: <ul style="list-style-type: none"> <li>• Trust</li> <li>• A shared commitment to change</li> <li>• A culture that promotes and accepts challenge among partners</li> </ul> And that the added value of partnership working is explicit	YPO engages its strategic partners, suppliers and customers through forums and events, and seeks independent <a href="#">customer reviews</a> via feefo (currently a satisfaction rating of 94%)
Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account	YPO engages with its staff through organisation wide updates including the Big Day, the Intranet and notice boards, team brief and consultation with the Trade Union. We encourage staff to take part in regular employee surveys, both internal and via <a href="#">Sunday Times Best Companies</a>
Taking account of the interests of future generations of tax payers and service users	

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### Principle C      Defining outcomes in terms of sustainable economic, social and environmental benefits

The long term nature and impact of many of local government’s responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation’s purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

<b>Supporting Principle – Defining outcomes</b>	
<b>Behaviours and actions that demonstrate good governance in practice</b>	<b>How we demonstrate this at YPO</b>
Having a clear vision which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation’s overall strategy, planning and other decisions	YPO’s vision is that every single public sector organisation achieves the best possible value for money when procuring goods and services. YPO’s mission is to be the UK’s number one public sector buying organisation.
Specifying the intended impact on, or changes for, stakeholders. It could be immediately or over the course of a year or longer	We publish a 3 year strategy: for 2018 – 2020 this is called “Relevance” and sets out a strategic statement of our overall vision for the business; current business plan; medium term financial strategy; objectives and deliverables over the next three years that will be monitored to ensure achievement of our aims.
Delivering defined outcomes on a sustainable basis within the resources that will be available	Strategic objectives are reviewed annually and supported by an annual business planning cycle linked to annual budget setting. Budgets and key performance indicators are monitored monthly by the Board and Senior Leadership Team (SLT).
Identifying and managing risks to the achievement of outcomes	YPO maintains a Risk Management Policy & Strategic Framework. The YPO Board are responsible for managing the Strategic Risk Register which reflects the most significant risks to the achievement of YPO’s long term objectives and outcomes. The Strategic Risk Register is reported annually to the Audit & Scrutiny Sub-Committee.

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<b>Supporting Principle – Sustaining economic, social and environmental benefits</b>	
<b>Behaviours and actions that demonstrate good governance in practice</b>	<b>How we demonstrate this at YPO</b>
<p>Taking a longer term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short term factors such as the political cycle or financial constraints</p>	<p>Consultation and agreement on YPO's 3 year strategy ensures that our objectives are aligned to our owners' long term and political wishes.</p> <p>YPO is committed to high standards of <a href="#">Corporate Social Responsibility</a> We are certified to the ISO14001 standard, publish a <a href="#">Modern Slavery Statement</a> and are embedding UN Sustainable Development Goals in all our procurements.</p>

**Principle D                    Determining the interventions necessary to optimise the achievement of the intended outcomes**

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

<b>Supporting Principle – Determining interventions</b>	
<b>Behaviours and actions that demonstrate good governance in practice</b>	<b>How we demonstrate this at YPO</b>
<p>Ensuring decision makers received objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided.</p>	<p>The YPO Board and Strategic Officers Advisory Group, including the Lead Authority's S151 Officer and Monitoring Officer meet on a regular basis and discuss information needs of members to support effective decision making.</p> <p>An annual timetable of meetings, reports and training is agreed with the Management Committee and other relevant committees and sub-committees each year, and adhered to. Variations to the timetable are allowed if reasons are given and agreed in advance.</p>

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	Decision making protocols are in place and supported by clear terms of reference for the Management Committee and sub committees. Report templates include mandatory sections for legal, financial and risk implications, options appraisals and reasons for recommendations.
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#### Supporting Principle – Planning interventions

<b>Behaviours and actions that demonstrate good governance in practice</b>	<b>How we demonstrate this at YPO</b>
Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	An annual timetable of meetings, reports and training is agreed with the Management Committee and other relevant committees and sub-committees each year, and adhered to.
Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances	A set of commercial, financial and other key performance indicators is agreed annually, reported and monitored on a regular basis. Remedial action is identified, where necessary if performance is off track.
Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured	
Ensuring capacity exists to generate the information required to review service quality regularly	
Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan	The Medium Term Financial Plan forms part of the 3 year strategy and is reviewed as part of the annual business planning process.
Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at develop a sustainable funding strategy	There is a robust annual budget setting process that takes into account strategic and business planning, revenue budgets, profit projections and longer term financial investment.  Once agreed, budgets are monitored monthly and forecasts updated to reflect activity.

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<b>Supporting Principle – Optimising achievement of intended outcomes</b>	
<b>Behaviours and actions that demonstrate good governance in practice</b>	<b>How we demonstrate this at YPO</b>
Ensuring the Medium Term Financial Strategy integrates and balances service priorities, affordability and other resource constraints	The Medium Term Financial Plan takes into account the long term priorities set out in the 3 year strategy and informs annual budget setting  Budget holders are consulted on their budgets before they are finalised and provided with monthly updates against forecast.
Ensuring the budget process is all inclusive, taking into account the full cost of operations over the medium and longer term	
Ensuring the Medium Term Financial Strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage	
Ensuring the achievement of social value through service planning and commissioning (The <a href="#">Public Services (Social Value) Act 2012</a> the additional benefit to the community ... over and above the direct purchasing of goods, services and outcomes	Social value is a key factor in procurement decisions. YPO is committed to high standards of <a href="#">Corporate Social Responsibility</a> We are certified to the ISO14001 standard, publish a <a href="#">Modern Slavery Statement</a> and are embedding UN Sustainable Development Goals in all our procurements.

#### **Principle E Developing the organisation’s capacity, including the capability of its leadership and the individuals within it**

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity of the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government is strengthened by the participation of people of many different types of backgrounds, reflecting the structure and diversity of communities.

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<b>Supporting Principle – Developing the organisation’s capacity</b>	
<b>Behaviours and actions that demonstrate good governance in practice</b>	<b>How we demonstrate this at YPO</b>
Reviewing operations, performance of assets on a regular basis to ensure their continuing effectiveness	Progress against achievement of objectives and deliverables set out in the 3 year strategy is monitored on a regular basis. Business planning is carried out annually.
Improving resource use through appropriate application of techniques such as benchmarking and other options to determine how the organisation’s resources are allocated so that outcomes are achieved effectively and efficiently	The Commercial Activity Plan includes an analysis of market intelligence as well as YPO performance against plan and progress is reported to the Board monthly along with financial performance reports.  Where necessary external expertise is secured to review use of assets and resources with the aim of optimising them for example risk engineers and consultants for warehouse and logistics operations design and performance management
Recognising the benefits of partnerships and collaborative working where added value can be achieved	All major programmes and projects are managed by the Programme Board which meets monthly, feeds into Board meetings and 3 year strategy.
Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	YPO recognises that lack of workforce skills is a strategic risk and has put in place a Workforce Strategy, skills audits and an Apprenticeship Programme.

<b>Supporting Principle – Developing the capability of the organisation’s leadership and other individuals</b>	
<b>Behaviours and actions that demonstrate good governance in practice</b>	<b>How we demonstrate this at YPO</b>
Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.	The relationship between YPO and its owners is set out in a Management Agreement. Terms of reference and respective roles for the YPO Board, Management Committee and other Sub-Committees are clear and reviewed regularly.
Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the organisation in implementing strategy and managing the	Financial regulations clearly set out delegated authority to YPO’s Managing Director and Board, and are reviewed annually, as are Standing Orders for Contracts.

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<p>delivery of services and other outputs set by members and each provides a check and a balance for each other's authority</p>	<p>The Audit &amp; Scrutiny Sub-Committee oversee scrutiny of decision making and independent challenge and hold the Management Committee and YPO Board to account.</p>
<p>Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body</p>	<p>Decision making processes are transparent and timely. An annual timetable of meetings, reports and training is agreed each year, and adhered to. Variations are allowed if valid reasons are given and agreed in advance by the relevant Committee or Sub-Committee to which the report would usually be made.</p> <p>YPO elected member meeting papers are published in the <a href="#">Governance</a> section of our website except where they include exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972.</p>
<p>Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:</p> <ul style="list-style-type: none"> <li>• Ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>• Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis</li> <li>• Ensuring personal, organisational and system-wide development through shared learning, including lessons learned from governance weaknesses both internal and external</li> </ul>	<p>Elected members receive induction, training and development through their individual local authorities and receive further training at YPO on a range of topics relevant to their role, from employees and from external providers.</p> <p>All employees complete an induction when starting work at YPO and have an annual appraisal that identifies their training needs and ways to meet them.</p> <p>YPO has a dedicated Learning &amp; Development Team that provides in-house training, maintains an eLearning platform, and oversees access to professional and other qualifications.</p> <p>YPO also provides organisation wide training in areas such as Health &amp; Safety, fraud awareness and prevention.</p> <p>Employees are encouraged to maximise training opportunities and maintain continuing professional development through membership of professional and other bodies eg CIPS, ICS</p>
<p>Holding staff to account through regular performance reviews which take account of training or development needs</p>	<p>YPO carries out workforce and succession planning and has an established apprenticeship scheme.</p>

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<p>Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing</p>	<p>The Health &amp; Safety Committee is chaired by the Managing Director and meets monthly. YPO maintains an Employee Assistance Programme that includes policies and support such as Wellbeing Days, Occupational Health, mental health awareness and access to 24/7 telephone support, advice and counselling.</p>
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#### **Principle F            Managing risks and performance through robust internal control and strong public financial management**

Local government needs to ensure that organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

<b>Supporting Principle – Managing risk</b>	
<b>Behaviours and actions that demonstrate good governance in practice</b>	<b>How we demonstrate this at YPO</b>
<p>Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making</p>	<p>YPO has a risk management policy and strategic framework that sets out our approach to risk, how we categorise, score and prioritise risk. YPO maintains a Strategic Risk Register, Anti-Fraud &amp; Bribery Risk Assessments, operational risk registers for each department. Risk registers are owned by Board and SLT members and each risk is assigned to an individual.</p>
<p>Implementing robust and integrated risk management arrangements and ensuring that they are working effectively</p>	<p>Risk management documents are reviewed annually and reported to the YPO Board and the Audit &amp; Scrutiny Sub-Committee. Training is provided to enable Board and Sub-Committee members to scrutinise them effectively.</p>
<p>Ensuring that responsibilities for managing individual risks are clearly allocated</p>	<p>Internal Audit review YPO's risk management arrangements and test the controls in place to manage risks to provide assurance that they are operating effectively in practice.</p>

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<b>Supporting Principle – Managing performance</b>	
<b>Behaviours and actions that demonstrate good governance in practice</b>	<b>How we demonstrate this at YPO</b>
Monitoring service delivery effectively including planning, specification, execution and independent post implementation review	As a public sector procurement organisation, YPO's performance framework focusses on its trading and sales plans and results, and financial performance, including margin, profit, overheads
Making decisions based on relevant, clear, objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook	Discussions take place between members and officers on the information needs of members to support decision making. A timetable of meeting dates, agenda items and reports is agreed annually and published on <a href="#">YPO/Governance</a> Members Services are provided by Wakefield MDC and YPO's Business Services Team.
Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible	YPO's <a href="#">Scrutiny Sub-Committee</a> consisted of seven elected members who were not members of the Executive Sub-Committee that met every 3 – 4 months. Since May 2017 YPO has had a combined Audit & Scrutiny Sub-Committee who with agreed <a href="#">Terms of Reference</a> There is a member training programme to assist members to deliver their role.
Providing members and senior management with regular reports on service delivery plans and progress towards outcome achievement	An information pack of financial and other key performance indicators is prepared and reported to the YPO Board monthly and the Management Committee quarterly.
Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)	YPO maintains <a href="#">Financial Procedure Rules</a> and <a href="#">Standing Orders for Contracts</a> that are reviewed and reported annually.

<b>Supporting Principle – Robust internal control</b>	
<b>Behaviours and actions that demonstrate good governance in practice</b>	<b>How we demonstrate this at YPO</b>
Aligning the risk management strategy and policies on internal control with achieving the objectives	Internal Audit is provided by Wakefield MDC. The Head of IA presents an Annual Audit Plan for agreement by the YPO Board, Management Committee and Audit & Scrutiny Sub-Committee. Audit reports are agreed with the relevant Board or SLT member. Agreed audit actions are monitored for completion and outstanding actions are reported annually to the Audit & Scrutiny Sub-committee.
Evaluating and monitoring the organisation's risk management and internal control on a regular basis	

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Ensuring effective counter fraud and anti-corruption arrangements are in place	YPO's Anti-Fraud and Bribery Framework includes arrangements to raise and maintain fraud awareness with staff. YPO co-ordinates with Wakefield MDC for serious fraud reporting and investigation.
Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor	YPO publishes a Local Code of Governance, carries out an Annual Governance Review, and reports the results in an Annual Governance Statement, which accompanies its Statement of Accounts.
<p>Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body:</p> <ul style="list-style-type: none"> <li>• Provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment</li> <li>• That its recommendations are listened to and acted upon</li> </ul>	YPO's <a href="#">Audit Sub-Committee</a> consisted of nine elected members from its founder member authorities. Since May 2017 YPO has had a combined Audit & Scrutiny Sub-Committee that operates in accordance with agreed <a href="#">Terms of Reference</a> The member training programme includes audit and risk management training.

#### Supporting Principle – Managing data

<b>Behaviours and actions that demonstrate good governance in practice</b>	<b>How we demonstrate this at YPO</b>
Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	<p>YPO's data management framework includes:</p> <ul style="list-style-type: none"> <li>• Data Protection Policy and Guidance</li> <li>• Retention Policy</li> <li>• Privacy Impact Assessment Guidance</li> <li>• Information Security Incident Reporting</li> <li>• Access to Information Policy</li> <li>• Guide to Information</li> </ul> <p>YPO's statutory Data Protection Officer function is provided by Calderdale Council under an SLA</p>
Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	
Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring	

#### Supporting Principle – Strong public financial management

<b>Behaviours and actions that demonstrate good governance in practice</b>	<b>How we demonstrate this at YPO</b>
Ensuring financial management supports both long term achievement of outcomes and short term financial and operational performance	The Lead Authority's Section 151 Officer is responsible for ensuring the Management Committee receive proper financial advice, records and accounts.

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<p>Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls</p>	<p>YPO’s financial management supports the delivery of services and transformation change as well as good stewardship and includes:</p> <ul style="list-style-type: none"> <li>• Treasury Management Policy</li> <li>• Medium Term Financial Strategy</li> <li>• Annual budget setting process that takes into account projected income / profit needs as well as annual business planning requests</li> <li>• Monthly budget monitoring reports and meetings between budget holders and Finance Business Partners</li> <li>• Integrated financial and performance reporting</li> <li>• Budget Holder Responsibility Policy</li> </ul>
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**Principle G            Implementing good practices in transparency, reporting and audit to deliver effective accountability**

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both internal and external audit contribute to effective accountability.

<p><b>Supporting Principle – Implementing good practice in transparency</b></p>	
<p><b>Behaviours and actions that demonstrate good governance in practice</b></p>	<p><b>How we demonstrate this at YPO</b></p>
<p>Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate</p>	<p><a href="#">YPO's Website</a> is both transactional and publishes details of our <a href="#">governance</a>, reporting, and <a href="#">transparency</a> arrangements which sets out our commitment to Freedom of Information and provides links to our <a href="#">Access to Information Policy</a> and <a href="#">Guide to Information</a> and the data we publish to comply with the requirements of the <a href="#">Local Government Transparency Code 2015</a></p>
<p>Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand</p>	

### YPO Local Code of Corporate Governance 2019

<b>Supporting Principle – Implementing good practice in reporting</b>	
<b>Behaviours and actions that demonstrate good governance in practice</b>	<b>How we demonstrate this at YPO</b>
Reporting at least annually on performance, value for money and the stewardship of its resources	YPO publishes an <a href="#">Annual Report</a> . YPO publishes its <a href="#">Financial Statements</a> including an audited Statement of Accounts (although as a Joint Committee it is no longer required to do so).
Ensuring members and senior management own the results	Copies of meeting agendas, reports and minutes for <a href="#">YPO Management Committee</a> and other sub-committees including the <a href="#">Audit &amp; Scrutiny Sub-Committee</a> are published on the YPO website.
Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (AGS)	YPO publishes an Annual Governance Statement each year with the audited Statement of Accounts, that reports the results of our annual governance review against the arrangements set out in this Local Code of Governance in accordance with the good practice set out in the CIPFA/SOLACE Framework 2016

<b>Supporting Principle – Assurance and effective accountability</b>	
<b>Behaviours and actions that demonstrate good governance in practice</b>	<b>How we demonstrate this at YPO</b>
Ensuring that recommendations for corrective action made by external audit are acted upon Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon	YPO's External Auditors are appointed using a competitive process every 3 years: the current external auditors are KPMG. They carry out both interim and final audits and publish an opinion on the Statement of Accounts.  Internal Audit is provided by YPO's lead authority, Wakefield Council, under an SLA.
Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	All audit actions are assigned to individuals, recorded and monitored for completion.  Outstanding actions are reported to the Audit & Scrutiny Sub-Committee annually. In 2017 there were no outstanding audit actions
Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the AGS	

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YPO

**AUDIT & SCRUTINY SUB-COMMITTEE**

**TO BE HELD ON**

**4<sup>TH</sup> MARCH 2022**

**TITLE: REVIEW OF FINANCIAL PROCEDURE RULES**

**REPORT OF: HEAD OF FINANCE**

---

**1. BACKGROUND INFORMATION**

- 1.1 The Financial Procedure Rules (FPRs) are key elements of YPO's governance arrangements and make a clear, transparent statement that aims to promote the highest standards in financial management and activity. They should be reviewed and updated on a regular basis to ensure compliance with current regulations and best practice and to consult founder members, as set out in the Management Agreement.
- 1.2 A full review and rewrite of the FPRs was approved by the Board in February 2019 and Audit & Scrutiny Sub-Committee in March 2019. They have been reviewed annually since then, most recently in January 2022, and no changes are proposed. The Head of Finance has also reviewed compliance with FPRs throughout 2021 during the post-implementation of LINK and changes in working arrangements in response to the Covid-19 pandemic.

**2. STRATEGIC IMPLICATIONS**

- 2.1 Strong financial management procedures and controls are essential to the delivery of YPO's three year strategy and objectives, and to the good relationship between YPO and its Management Committee.

**3. FINANCIAL/RESOURCE IMPLICATIONS**

- 3.1 There are no additional financial or resource implications arising from this report.

**4. LEGAL IMPLICATIONS**

- 4.1 There are no additional legal implications arising from this report.

**5. RISK IMPLICATIONS**

- 5.1 There is a risk that officers will not comply with the Financial Procedure Rules: this risk will be mitigated by ensuring mandatory training takes place for all relevant staff.

**6. CONSULTATION**

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

**7. OPTIONS APPRAISAL**

- 7.1 None: Financial Procedure Rules are a key element of YPO's governance arrangements and regular reviews ensure they reflect the most up to date regulation.

**8. RECOMMENDATIONS**

- 8.1 The Board and the Audit & Scrutiny Sub-Committee note that there are no changes to the Financial Procedure Rules in 2022.

**9. REASONS FOR RECOMMENDATIONS**

- 9.1 Financial Procedure Rules are key elements of YPO's governance arrangements.

**SERVICE DIRECTOR: MATTHEW HIRST, HEAD OF FINANCE**

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**YPO**

**AUDIT & SCRUTINY SUB-COMMITTEE**

**TO BE HELD ON**

**4<sup>TH</sup> MARCH 2022**

**TITLE: GIFTS AND HOSPITALITY POLICY & REGISTER REVIEW**

**REPORT OF: HEAD OF FINANCE**

---

## **1. BACKGROUND INFORMATION**

- 1.1 As part of its Anti-Fraud & Bribery Framework, YPO maintains a Gifts & Hospitality Policy that sets out the protocols that employees must follow to accept or decline all offers of gifts and hospitality and to declare such offers. The policy also applies to employees who offer gifts and hospitality on behalf of YPO during the course of their work. The Policy was fully revised and agreed by the Board in October 2018. It has been reviewed again in January 2022 and no changes are proposed.
- 1.2 The Policy requires employees to complete a declaration of offers made and received, whether accepted or not, in the Gifts & Hospitality Register maintained by Business Services. The register is reviewed annually and items valued over £25 are reported to the Board and the Audit & Scrutiny Sub-Committee.
- 1.3 In 2021 there were only four declarations of gifts and hospitality, all of which were made to YPO employees. Approval to accept a low value gift relating to virtual conference hospitality (£10) was given in advance, and two further gifts were received by post and passed to Business Services (to be used for fundraising where possible, otherwise to be shared among staff). The fourth was an offer of hospitality made to a member of SLT to attend a conference as a guest speaker with flights and accommodation paid for. The offer, which had an estimated value of around £4,000, was declined with an offer to attend virtually or to send a pre-recorded message. For commercial confidentiality purposes names of the employees and organisations involved have not been included here but are listed in the completed register that is available from Business Services.

## **2. STRATEGIC IMPLICATIONS**

- 2.1 We recognise that our stakeholders need to have confidence in our employees, in particular those with influence and those responsible for our strategic and business planning and delivery, decision making and risk management, to act with integrity and to maintain YPO's good reputation.

## **3. FINANCIAL/RESOURCE IMPLICATIONS**

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

**4. LEGAL IMPLICATIONS**

- 4.1 Completion of declarations recorded in and Gifts & Hospitality Register in accordance with the Policy enables YPO to demonstrate compliance with relevant legislation including Section 177 of the Local Government Act 1972 and the Bribery Act 2010.

**5. RISK IMPLICATIONS**

- 5.1 The Gifts & Hospitality Policy and annual review of the Gifts & Hospitality Register helps to mitigate the risk that an offer or acceptance may be unlawful or inappropriate and may influence, or may be perceived to influence, a person or decision, leaving YPO open to challenge and potential reputational damage.

**6. CONSULTATION**

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

**7. OPTIONS APPRAISAL**

- 7.1 None: YPO must have a Gifts & Hospitality Policy and a Register of Declarations.

**8. RECOMMENDATIONS**

- 8.1 That the Board and the Audit & Scrutiny Sub-Committee note the results of the review.

**9. REASONS FOR RECOMMENDATIONS**

- 9.1 The Gifts & Hospitality Policy and Register are key elements of YPO's Anti-Fraud & Bribery Framework and help to manage the risks arising to YPO and its employees from accepting, declining or making offers of gifts and hospitality.

**SERVICE DIRECTOR: JULIE HAWLEY, EXECUTIVE DIRECTOR, FINANCE**

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YPO

**AUDIT & SCRUTINY SUB-COMMITTEE**

**TO BE HELD ON**

**4<sup>TH</sup> MARCH 2022**

**TITLE: EMPLOYEE INTERESTS POLICY, DECLARATIONS & REGISTER UPDATE**

**REPORT OF: EXECUTIVE DIRECTOR FINANCE**

---

## **1. BACKGROUND INFORMATION**

- 1.1 As part of its Anti-Fraud & Bribery Framework, YPO maintains an Employee Interests Policy that helps to protect both YPO and its employees from the risks arising from actual or perceived conflicts of interests; ensures transparency in decision making; and provides assurance to stakeholders.
- 1.2 The policy sets out protocols and procedures employees must follow to declare personal and business interests; to ensure those interests are reviewed; and to enable potential conflicts of interest to be identified and escalated up to management for consideration. It is supported by guidance and declaration forms that are based on the same criteria as elected members' declarations of interest, and require employees to declare:
  - Substantial interests in other companies and securities (usually above £25,000)
  - Interests in contracts for the supply of goods, services or works to YPO
  - Other interests of their own, their partner, or immediate family members that may lead of a conflict of interest with the employee's role at YPO: these include links to educational establishments but exclude membership of Trade Unions or political organisations. If in doubt, employees are advised to make a declaration.
  - Details of any other employment whether paid or voluntary
- 1.3 The policy was last reviewed and reported in Feb 2021: no changes were required. The register of declarations of interest was also reviewed. During 2021 Business Services ensured every employee completed a new declaration of interest, stored electronically. As of late 2021 there was full compliance. Work was also ongoing to replace the existing process with a digital solution that contributes to YPO's digitalisation objective and enables declarations to be completed online and workflowed to managers for review. This solution is being rolled out from mid-February 2022. Some amendments have been made to the policy to reflect the changes in process and agreement with HR and the Trade Union regarding defined employees (those who must complete a form annually).
- 1.4 Going forward HR will be responsible for the Employee Interests Policy; Business Services will be responsible for the process and ensuring declarations are completed and reviewed as required; and Finance will be responsible for carrying out a compliance check and reporting the results as part of the year end governance review.

## **2. STRATEGIC IMPLICATIONS**

- 2.1 We recognise that our stakeholders need to have confidence in our employees, in particular those with influence and those responsible for our strategic and business planning and delivery, decision making and risk management, to act with integrity and to maintain YPO's good reputation.

## **3. FINANCIAL/RESOURCE IMPLICATIONS**

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

## **4. LEGAL IMPLICATIONS**

- 4.1 Completion and review of declarations in accordance with the Employee Interests Policy enables YPO to demonstrate compliance with relevant legislation including Section 177 of the Local Government Act 1972 and the Bribery Act 2010.

## **5. RISK IMPLICATIONS**

- 5.1 The Employee Interests Policy and review of declarations helps to mitigate the risk that employees' other business or personal interests may influence, or may be perceived to influence, a person or decision, leaving YPO open to challenge and potential reputational damage.

## **6. CONSULTATION**

- 6.1 Head of HR and the Business Services Manager have been consulted on this report.

## **7. OPTIONS APPRAISAL**

- 7.1 None: YPO must have an Employee Interests Policy and a Register of Declarations.

## **8. RECOMMENDATIONS**

- 8.1 That the Audit & Scrutiny Sub-Committee note progress on the roll out of the new system and processes, update to the policy and compliance across YPO.

## **9. REASONS FOR RECOMMENDATIONS**

- 9.1 The Employee Interests Policy and Register of Declarations are key elements of our Anti-Fraud & Bribery Framework and help to manage the potential risks arising to YPO and its employees from their other business or personal interests.

## **SERVICE DIRECTOR: JULIE HAWLEY, EXECUTIVE DIRECTOR FINANCE**

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**YPO**  
**AUDIT & SCRUTINY SUB COMMITTEE**  
**TO BE HELD ON**  
**4<sup>TH</sup> MARCH 2022**

**TITLE: PROGRESS ON THE 2021 INTERNAL AUDIT PLAN**

**REPORT OF: SERVICE MANAGER FOR INTERNAL AUDIT & RISK**

---

## **1 PURPOSE OF REPORT**

- 1.1 This report is produced by the Service Manager for Internal Audit & Risk to provide this Committee with details of Internal Audit's performance and work. Under its terms of reference, the Audit and Scrutiny Sub-Committee is responsible for considering internal audit plans and performance to ensure the work of internal audit is planned and carries out with due regard to major risks. The purpose of this report is to give positive assurance on the initial planning work that has been completed, and that resources are in place to fulfil the 2021 Internal Audit Plan.
- 1.2 The report also gives members the opportunity to raise any additional risk areas that they may wish to be included in the plan.

## **2 BACKGROUND INFORMATION**

- 2.1 The report, attached as Appendix A, records details of the progress against the agreed audit plan for 2021.
- 2.2 In line with agreed protocols, a further progress report will be submitted to the next meeting of the Audit & Scrutiny Sub-Committee.

## **3 STRATEGIC IMPLICATIONS**

- 3.1 Internal Audit's work includes involvement at a strategic level. A number of audits in the 2021 Internal Audit Plan link to various YPO strategic risks.

## **4 FINANCIAL IMPLICATIONS**

- 4.1 There are no specific financial implications associated with this report. The cost of the audit work is met from the 2021 budget approved by YPO Members.

## **5 LEGAL IMPLICATIONS**

- 5.1 YPO is a Joint Committee formed under the Local Authority (Goods and Services) Act 1970. As the largest formally constituted local authority purchasing consortium in the UK, YPO is governed by a management committee of elected representatives (councillors) from its owning member authorities.
- 5.2 The Statutory Finance Officer of the Lead Authority is responsible to the Management Committee for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control. It is the role of the Lead Authority's Internal Audit team to provide an independent and objective opinion on the control environment within YPO. The audit plan and subsequent findings are reported to the Directors of YPO, the Management Committee and the Audit and Scrutiny Sub-Committee.
- 5.3 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 considered when considering the Organisation's key strategic risks.

## **7 RISK IMPLICATIONS**

- 7.1 Internal Audit makes a significant contribution to providing management and Members with assurances on the Organisation's systems of internal control. Its contribution assists in identifying areas for improvement in control in the management of key risks.

## **8 RECOMMENDATION**

- 8.1 That Members comment on and endorse the Internal Audit Progress Report attached as Appendix A to this report.

### **Contact Officers:**

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# Internal Audit Update Report

## As at 31 January 2022

REPORT OF: Jason Brook, Service Manager for Internal Audit & Risk (Wakefield Council)  
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## PURPOSE OF REPORT

1. The purpose of this report is to present to the Audit and Scrutiny Sub Committee, details of Internal Audit's performance and work in relation to the 2021 Audit Plan.

## PROGRESS ON THE 2021 AUDIT PLAN

2. The audit plan that was agreed by Audit and Scrutiny Sub Committee on 2 July 2021 is now underway.
3. The following table provides a progress update as at 31 January 2022 against the agreed Audit Plan for 2021. A verbal update will be provided at the Audit and Scrutiny Sub Committee meeting.

Audit Area	Type of Audit	Brief Summary	Position as at 31/1/2021
<b>Section 151 Assurance Work</b>			
Budgetary Control	Key Financial System	To gain assurance that the budgetary control process is operating effectively.	Audit testing complete, reporting underway.
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.	Audit testing is underway.
<b>Consultancy Work</b>			
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.	The Counter Fraud team has offered support and advice on Counter Fraud concerns raised by colleagues at YPO and take the appropriate action in order to promote a Counter Fraud culture.
Risk Management	N/A	To act in a 'critical friend' role for the YPO in offering advice on risk management arrangements.	The Risk Manager has completed Stage 1 and Stage 2 of the Business Continuity Arrangements audit during the period.
<b>Governance and Risk-Based Work</b>			
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.	Audit testing complete, reporting underway.
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 – confirm that	Stage 1 – Finalised.  Stage 2 – Draft report

Audit Area	Type of Audit	Brief Summary	Position as at 31/1/2021
		the controls in place to mitigate the risks identified in stage 1 are operating effectively.	issued.
Stock Control	Risk-Based	To focus on ensuring effective controls are in place to manage stock control and alignment for accounting purposes.	Draft report issued.
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.	Audit testing underway.

## SUMMARY

- All audit work will be completed in time for the annual Head of Internal Audit assurance opinion and draft Annual Governance Statement that will be presented to the Audit and Governance Sub Committee in July 2022.

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**YPO**  
**AUDIT & SCRUTINY SUB COMMITTEE**  
**TO BE HELD ON**  
**4<sup>TH</sup> MARCH 2022**

**TITLE: DRAFT ANNUAL INTERNAL AUDIT PLAN 2022**

**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 account of 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 2022. 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 Invest and Value Strategy 2022-26;
  - The YPO Risk Register;
  - Previous internal audit work and findings;
  - Input from this Committee, the 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 Since 2019, Internal Audit has used a rolling 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 2022 Internal Audit Plan.

### Objectives and priorities of YPO

- 2.3 Following the challenges faced during 2020, the Board concluded that 2021 would be a period of recovery for YPO and in response set a one year 'Plan on a Page' to guide it through this period of uncertainty. In the established business cycle, the next three year strategy commenced on the 1 January 2022. The Organisation has therefore prepared a new set of strategic plans to enable continued success over the next 3-5 year period. This was approved at the Management Committee on 26 November 2021.
- 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'. The 'Big Three' aims are: 1) To grow Public Sector by 300%; 2) Famous Five £5m; 3) Digital Transformation. This is then supported by the following themes:
- Brilliant Basics.
  - Digitilisation.
  - Partnerships.
  - Growth.
  - Assets.
- 2.5 We have linked our proposed audits to these objectives and themes to ensure that the audit plan reflects the strategic direction of YPO in 2022 and beyond.

### Strategic Risks

- 2.6 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. It should be noted that at the time of writing the report the Strategic Risk Register for 2022 had yet to be updated and therefore the planning is based on the 2021 version. As soon as this document becomes available this will be aligned to the audits within this plan.

### 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 2019-21 was approved. Ongoing discussions with senior management have taken place during the planning period in 2022 to ensure that the audit plan continues to reflect the aims of the organisation. 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 Chief Finance 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

- 2.9 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 £46,700). 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 2022 and are detailed below for information.

**Table 1 – 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 2 – 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

- 2.11 As we have reached the end of the three year planning process, it is proposed that the 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, linking with the Invest and Value Strategy 2022-26 and the risk registers maintained by YPO.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 The annual cost for the provision of Internal Audit for YPO is £46,700 per year.
- 4.2 The audit plan also considers the need to provide the 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 YPO is a Joint Committee formed under the Local Authority (Goods and Services) Act 1970. As the largest formally constituted local authority purchasing consortium in the UK, YPO is governed by a management committee of elected representatives (councillors) from its owning member authorities.
- 5.2 The Statutory Finance Officer (of the Lead Authority) is responsible to the Management Committee for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control. It is the role of the Lead Authority's Internal Audit team to provide an independent and objective opinion on the control environment within YPO. The audit plan and subsequent findings are reported to the Directors of YPO, the Management Committee and the Audit and Scrutiny Sub-Committee.
- 5.3 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 detailed in this audit plan.

#### **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 2022 (see Appendix A).

#### **Contact Officer:**

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# **Draft Internal Audit Plan 2022**

**Table 1: Proposed Audits for 2022 Calendar Year**

Audit Area	Type of Audit	Brief Summary	Audit Days	Links to YPO Priorities	Links to YPO Risks
<b>Section 151 Assurance Work</b>					
Asset Management	Key Financial System	To gain assurance that significant assets are properly accounted for and secured and are being managed effectively, in line with the strategic objectives of the Organisation.	20	Assets Growth	SRR-07 SRR-08 SRR-13
Creditors	Key Financial System	To gain assurance on the effectiveness of controls for raising orders and making payments to the suppliers for goods and services.	20	Assets Growth	SRR-07 SRR-08
<b>Consultancy Work</b>					
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 <sup>1</sup>	All	SRR-17
Risk Management	Consultancy	To act in a 'critical friend' role for the YPO in offering advice on risk management arrangements.	5 <sup>1</sup>	All	ALL
<b>Governance and Risk-Based Work</b>					
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 reporting of 'near misses'.	20	Brilliant Basics Assets	SRR-02 SRR-12
Rebate Income	Risk-Based	To gain assurance on the adequacy of controls relating to rebate income.	20	Growth Partnerships	SRR-07 SRR-08 SRR-13
Business Planning	Governance	The audit will cover a review of the sufficiency of business planning documentation for decision making.	20	All	SRR-08 SRR-12
<b>Follow-Up Reviews</b>					
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'. Focus on the high priority actions following the debtors audit in 2020 with a focus on aged debt, cash flow and financial planning.	15	-	-

<sup>1</sup> These days will not be included as part of the chargeable days for 2022

Audit Area	Type of Audit	Brief Summary	Audit Days	Links to YPO Priorities	Links to YPO Risks
<b>Contingency Time</b>					
Contingency Time	-	Time set aside for new and emerging risks.	5	-	-
<b>Liaison, Consultancy and Advice</b>					
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	-	-
<b>Total (excluding 10 days non chargeable time)</b>			<b>125</b>		

**Table 2: Audit Plans from 2019 to 2022**

Audit Area	2019	2020	2021	2022	Comments
<b>Section 151 Assurance Work</b>					
Asset Management	✓			✓	Last reviewed in 2019.
Budgetary Control			✓		Last reviewed in 2021.
Creditors (including ordering).	✓			✓	Last reviewed in 2019.
Debtors		✓			Last reviewed in 2020.
Main Accounting System.			✓		Last reviewed in 2021.
Payroll		✓			Last reviewed in 2020.
<b>Consultancy Work</b>					
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.
<b>Governance and Risk Based Audit Work</b>					
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		✓			
Data Quality		✓			
ICT Arrangements		✓			Coverage will be considered for 2023 audit plan to allow management arrangements to embed.
Rebate Income	✓			✓	To gain assurance on the adequacy of controls relating to rebate income.
Stock Control			✓		
Transport Logistics		✓			
Warehouse Management System			✓		
<b>Follow-up Reviews</b>					
Follow-up work	✓	✓	✓	✓	As required – a review will be completed of any audits with an opinion of 'partially effective' or 'ineffective'.
<b>Liaison, Consultancy and Advice</b>					
As appropriate	✓	✓	✓	✓	Attendance at Committees, reporting, liaison and advice.

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**YPO**

**AUDIT & SCRUTINY SUB-COMMITTEE**

**TO BE HELD ON**

**4<sup>TH</sup> MARCH 2022**

**TITLE: INTERNAL AUDIT ACTIONS UPDATE**

**REPORT OF: EXECUTIVE DIRECTOR, FINANCE**

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## **1. BACKGROUND INFORMATION**

- 1.1 The purpose of this report is to provide an update on the progress made on agreed audit actions resulting from audits completed by Wakefield Council Internal Audit.
- 1.2 YPO is subject to a statutory, ongoing internal audit of all relevant business risks, as part of the agreed Annual Audit Plan delivered by Wakefield Council Internal Audit. Internal Audit review the controls in place to manage YPO's risks and provide positive assurance where they find them to be working effectively. They also identify any areas for improvement and complete an action plan for agreement with YPO. Agreed actions are assigned to a named owner with a date for completion: they are then monitored on a regular basis and reported to the Board and the Audit & Scrutiny Sub-Committee regularly.
- 1.3 Audit actions are assigned to action owners and monitored using SharePoint to ensure that they are updated and completed by agreed dates or reasons given for extensions. Audit & Scrutiny Sub-Committee last received an Internal Audit Actions Update report in March 2021. At that time there were no outstanding audit actions to report.
- 1.4 There were 52 audit actions arising from reports last year of which one is outstanding as at January 2022. The action was due for completion by 31<sup>st</sup> December 2021 and is in progress: the detail is shown at Appendix 1. A Compensation Policy is being drafted but needs further consultation with YPO's insurers to ensure any ex-gratia payments made do not inadvertently create an insurable liability.
- 1.5 A number of audits were completed and reported in late 2021 or are due to report in early 2022. Any audit actions arising from these reports are not reflected in the data above, because, as yet, no actions are outstanding.

## **2. STRATEGIC IMPLICATIONS**

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

## **3. FINANCIAL/RESOURCE IMPLICATIONS**

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

#### **4. LEGAL IMPLICATIONS**

4.1 There are no legal implications arising from this report.

#### **5. RISK IMPLICATIONS**

5.1 Wakefield Council Internal Audit review the controls in place to manage the risks in YPO's systems and processes. It is essential that any actions they identify to improve controls are completed to reduce the likelihood and impact of those risks.

#### **6. CONSULTATION**

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

#### **7. OPTIONS APPRAISAL**

7.1 None: we must implement agreed actions to ensure that the controls to manage risks remain in place and working effectively.

#### **8. RECOMMENDATIONS**

8.1 That the Board and Audit & Scrutiny Sub-Committee note progress on completing Internal Audit actions.

#### **9. REASONS FOR RECOMMENDATIONS**

9.1 The report provides assurance to the Board and Audit & Scrutiny Sub-Committee that identified weaknesses in controls have been addressed.

#### **SERVICE DIRECTOR: JULIE HAWLEY, EXECUTIVE DIRECTOR, FINANCE**

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#### **APPENDICES**

*Appendix 1: Outstanding Audit Actions*

**Appendix 1 Outstanding Audit Actions****Customer Engagement 2020 Audit**

<b>Action Ref</b>	AA04
<b>Assigned Date</b>	31/05/2021
<b>Due Date</b>	31/12/2021
<b>Priority</b>	Moderate
<b>Status</b>	In progress

**Detail**

We recommend that YPO adopts a financial compensation policy to mitigate poor customer feedback. Agreed. A policy is being drawn up between Finance and CS Teams to ensure that we have clarity around the decisions to be made when agreeing compensation, and in which circumstances it should apply, so that we can also track the cost of these payments to the organisation. The policy needs further consultation with YPO's insurers to ensure any ex-gratia payments made do not inadvertently create an insurable liability.

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# Audit Progress Report

## Yorkshire Purchasing Organisation

February 2022



1. Audit Progress
2. National Publications

## Section 01: **Audit Progress**

# Audit Progress

## **Purpose of this report**

This report provides the Audit Sub Committee with an update on progress in delivering our responsibilities as your external auditors.

## **Audit progress**

We commenced our audit work on the Organisation's 2021 financial statements in November with our initial planning work. We carried out control environment and interim audit work in early February 2022 and our main visit is planned for March 2022.

We have attended stocktakes at the two main warehouses, documented the financial systems, carried out 'walkthrough' testing of the key controls in those systems, and where possible carried out testing of transactions through the year.

There are no matters to bring to the Sub Committee's attention from this work completed to date.

We maintain close liaison with the Executive Director – Finance and the Head of Finance and will ensure that the Organisation and the Sub Committee are kept up to date with any matters relevant to the external audit on a timely basis.

## Section 02: National Publications

# National Publications

This section highlights the recent national publications that may be of interest to Members of the Committee. If you require any additional information please contact any member of your engagement team.

We have, in the table below, provided a brief insight into the purpose/key points of the publications with indicative relevance and/or suggested action using the following ratings:

- Action required
- Action suggested
- For information only.

	Publication/update	Key points	Action
<b>CIPFA</b>			
1	<b>New Prudential and Treasury Management Codes</b>	These two statutory and professional codes are important regulatory elements of Local Authority's capital finance framework	●
2	<b>Emergency proposals for an update of the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom and the 2022/23 Code</b>	CIPFA published a consultation on emergency proposals for the update of the 2021/22 (and 2022/23) Code. They are aimed at improving the completion rates for publication of audited accounts and include: <ul style="list-style-type: none"> <li>• delaying the implementation of IFRS 16 for at least 1 year; and</li> <li>• allowing for an optional pause of the property revaluation cycle.</li> </ul>	●
<b>Department for Levelling Up, Housing &amp; Communities (DLUHC)</b>			
3	<b>Consultation on changes to the capital framework: Minimum Revenue Provision</b>	This consultation seeks views on proposed changes to regulations to better enforce the duty of local authorities to make prudent Minimum Revenue Provision each year.	●
4	<b>Measures to improve local audit delays and accounts and audit timetable confirmed</b>	DLUHC have announced a new package of measure to support the improved timeliness of local audit. These include additional funds and an extension of the deadline for publishing accounts.	●

# National Publications (continued)

This section highlights the recent national publications that may be of interest to Members of the Committee. If you require any additional information please contact any member of your engagement team.

We have, in the table below, provided a brief insight into the purpose/key points of the publications with indicative relevance and/or suggested action using the following ratings:

- Action required
- Action suggested
- For information only.

	Publication/update	Key points	Action
<b>National Audit Office (NAO)</b>			
5	<b>The Government's preparedness for the COVID-19 pandemic: lessons learned for government on risk management</b>	The report sets out central government's risk analysis, planning, and mitigation strategies prior to the arrival of the COVID-19 pandemic, with the aim of drawing out wider learning for the government's overall approach.	●
6	<b>Good practice guide: Cyber and information security</b>	Provides a good practice guide for audit committees on cyber security arrangements.	●
7	<b>The local government finance system in England: overview and challenges</b>	This overview looks at what local government in England spends, how this spending is funded and the effect of changes in recent years	●
<b>Financial Reporting Council (FRC)</b>			
8	<b>Major local audits – Audit Quality Inspection</b>	Sets out the findings of FRC's most recent quality inspection of major local audits.	●

# NATIONAL PUBLICATIONS

## CIPFA

### 1. CIPFA publishes new Prudential and Treasury Management Codes, December 2021

CIPFA has published the new Prudential Code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code) following a consultation period. These two statutory and professional codes are important regulatory elements of the capital finance framework within which local authorities operate. Local authorities are required by regulation to 'have regard to' their provisions. Guidance notes will follow shortly in the new year.

The updated **Prudential Code** includes the following as the focus of the substantive changes:

- The provisions in the code, which present the approach to borrowing in advance of need in order to profit from additional sums borrowed, have been strengthened. The relevant parts of the code have augmented to be clear that borrowing for debt-for-yield investment is not permissible under the Prudential Code. This recognises that commercial activity is part of regeneration but underlines that such transactions do not include debt-for yield as the primary purpose of the investment or represent an unnecessary risk to public funds.
- Proportionality has been included as an objective in the Prudential Code. New provisions have been added so that an authority incorporates an assessment of risk to levels of resources used for capital purposes.

The main changes to the updated **Treasury Management Code** and the accompanying guidance for local authorities are as follows:

- Investment management practices and other recommendations relating to non-treasury investments are included within the Treasury Management Practices (TMPs) alongside existing TMPs.
- The guidance will recommend the introduction of the Liability Benchmark as a treasury management indicator for local government bodies (note that CIPFA has issued a toolkit to assist local authorities with the production of this indicator).
- Environmental, Social and Governance (ESG) risks are incorporated into TMP1 (Risk Management) rather than a separate TMP 13.
- The purpose and objective of each category of investments should be described within the Treasury Management Strategy.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-issues-new-prudential-and-treasury-management-codes>

# NATIONAL PUBLICATIONS

## CIPFA (continued)

### 2. Emergency proposals for an update of the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom and the 2022/23 Code, February 2022

CIPFA LASAAC has issued an exceptional consultation on time limited changes to the code to help alleviate delays to the publication of audited financial statements. Only 9% of local authority accounts in England met the audit publication deadline of 30 September 2021. The consultation closes on 3 March 2022.

In December 2021, the Department of Levelling-up Housing and Communities asked CIPFA LASAAC to consider ways in which the code may ameliorate this crisis position. CIPFA LASAAC considered this request and has issued this exceptional consultation, which explores two possible changes that might be made as an update to the 2021/22 code and to the agreed position in the 2022/23 code. After considering a wide range of options CIPFA LASAAC decided to explore two approaches:

- an adaptation to the code to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years (though the initial proposal is for the 2021/22 financial year); this approach also explores the use of an index to be used to increase or reduce that valuation
- deferring the implementation of IFRS 16 *Leases* for a further year and reversing the planned changes to the 2022/23 code to implement that standard.

The consultation also shows the wide range of options that CIPFA LASAAC considered, which includes some which the board considered were outside of its terms of reference.

<https://www.cipfa.org/policy-and-guidance/consultations/emergency-proposals-for-update-of-202122-and-2022223-codes>

# NATIONAL PUBLICATIONS

## Department for Levelling Up, Housing and Communities

### 3. Consultation on changes to the capital framework: Minimum Revenue Provision, December 2021

This consultation seeks views on proposed changes to regulations to better enforce the duty of local authorities to make prudent Minimum Revenue Provision each year.

Local authorities borrow and invest under the Prudential Framework (the Framework), which comprises legislation and 4 statutory codes that authorities must have regard to. Under this system, authorities have wide freedoms to borrow and invest without the need to seek the government's consent, provided that borrowing is affordable. The intent of the Framework is to make sure local decisions are prudent, affordable and sustainable.

The government is aware that some authorities employ practices that are not fully compliant with the duty to make a prudent revenue provision, resulting in underpayment of MRP. This was reported in the NAO's report Local Authority Investment in Commercial Property (February 2020) and the subsequent report by the Public Accounts Committee in July 2020, which recommended the government take steps to address the issue.

<https://www.gov.uk/government/consultations/changes-to-the-capital-framework-minimum-revenue-provision/consultation-on-changes-to-the-capital-framework-minimum-revenue-provision#excluding-specific-debt-from-mrp-determination>

### 4. A new package of measures to support the improved timeliness of local audit, December 2021

This publication sets out a range of measures agreed with key partners to support the timely completion of local government audits and the ongoing stability of the local audit market. The measures include:

- Steps to increase the number of auditors with skills to carry out the work;
- Additional funding to support increases in audit fees; and
- Extension of the audit deadlines to 30 November 2022 and 30 September for 2023 onwards.

[https://www.gov.uk/guidance/measures-to-improve-local-audit-delays?utm\\_medium=email&utm\\_campaign=govuk-notifications&utm\\_source=81365e1a-e6b1-4c1b-bce1-b5ef8fafef6f&utm\\_content=daily#section-4-longer-term-measures-to-help-stabilise-the-market-and-address-long-term-supply-issues](https://www.gov.uk/guidance/measures-to-improve-local-audit-delays?utm_medium=email&utm_campaign=govuk-notifications&utm_source=81365e1a-e6b1-4c1b-bce1-b5ef8fafef6f&utm_content=daily#section-4-longer-term-measures-to-help-stabilise-the-market-and-address-long-term-supply-issues)

### 5. The Government's preparedness for the COVID-19 pandemic: lessons learned for government on risk management, November 2021

In November 2021

- This report sets out the facts on:
- the government's approach to risk management and emergency planning (Part One);
- the actions the government took to identify the risk of a pandemic like COVID-19 (Part Two);
- the actions the government took to prepare for a pandemic like COVID-19 (Part Three); and
- recent developments (Part Four).

The report sets out central government's risk analysis, planning, and mitigation strategies prior to the arrival of the COVID-19 pandemic, with the aim of drawing out wider learning for the government's overall risk management approach.

The report concludes that this pandemic has exposed a vulnerability to whole-system emergencies – that is, emergencies that are so broad that they engage the entire system. Although the government had plans for an influenza pandemic, it did not have detailed plans for many non-health consequences and some health consequences of a pandemic like COVID-19. There were lessons from previous simulation exercises that were not fully implemented and would have helped prepare for a pandemic like COVID-19. There was limited oversight and assurance of plans in place, and many pre-pandemic plans were not adequate. In addition, there is variation in capacity, capability and maturity of risk management across government departments.

The pandemic also highlighted the need to strengthen the government's end-to-end risk management process to ensure that it addresses all significant risks, including interdependent and systemic risks. This will require collaboration on risk identification and management not only across government departments and local authorities, but also with the private sector and internationally. For whole-system risks NAO states that the government needs to define its risk appetite to make informed decisions and prepare appropriately so that value for money can be protected. NAO state that the pandemic has also highlighted the need to strengthen national resilience to prepare for any future events of this scale, and the challenges the government faces in balancing the need to prepare for future events while dealing with day-to-day issues and current events.

<https://www.nao.org.uk/report/the-governments-preparedness-for-the-covid-19-pandemic/>

# NATIONAL PUBLICATIONS

## National Audit Office

### 6. Good practice guide: Cyber and information security, October 2021

The NAO has published a good practice guide for audit committees on cyber security arrangements.

Cyber security is the activity required to protect an organisation's data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

The NAO guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>

### 7. The local government finance system in England: overview and challenges, November 2021

Local authorities in England provide a broad range of universal services, with targeted services for the most vulnerable in society. They have also been pivotal in the local response to the COVID-19 pandemic. Local authorities are funded through multiple funding streams, including government grants, taxes, and charges for services. The Department for Levelling Up, Housing & Communities, previously the Ministry of Housing, Communities & Local Government, is responsible for a framework that provides assurance on the financial health of local government and allows for intervention in individual cases and in response to system-wide risks.

This overview looks at what local government in England spends, how this spending is funded and the effect of changes in recent years. It draws on relevant findings from past NAO work. The overview aims to enhance financial transparency about local government in England. It covers:

- An introduction to local government funding
- Government policy and actions since 2010
- Some results or consequences of these changes.

The overview covers England only as local government is devolved in Scotland and Wales and focuses on five types of English local authority – London boroughs (including City of London), metropolitan boroughs, unitary authorities, county councils and district councils. This does not include town and parish councils, combined authorities, or stand-alone police and fire authorities.

<https://www.nao.org.uk/report/the-local-government-finance-system-in-england-overview-and-challenges/>

# NATIONAL PUBLICATIONS

## Financial Reporting Council

### 8. Major local audits – Audit Quality Inspection, October 2021

The Financial Reporting Council (FRC) is the independent body responsible for monitoring the quality of major local audits, as defined by the Local Audit (Professional Qualification and Major Local Audit) Regulations 2014. This monitoring is performed by the FRC's Audit Quality Review (AQR) team. The reviews of individual major local audit engagements are intended to contribute to safeguarding and promoting improvement in the overall quality of local audit in the UK. Audit firms are required to audit the financial statements and Value for Money (VFM) arrangements conclusion and exercise their additional powers or duties, as required, in accordance with the Local Audit and Accountability Act 2014

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of the firms' local audits that do not meet the definition of a major local audit.

The FRC has published its report setting out principal findings arising from the 2020-21 inspection of the audit firms completing major local audits in England as well as QAD results of other audits.

[FRC AQR Major Local Audits October 2021](#)

## Contact

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