

Your Ref.  
Our Ref

**Please Reply To Kayley Sykes**  
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Date 29 June 2023

Chief Executive

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Typetalk calls welcome

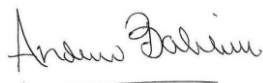
**To: Members of the YPO Joint Committee Audit and Governance Sub-Committee**

Dear Member

**YPO AUDIT & SCRUTINY SUB-COMMITTEE – FRIDAY, 7 JULY 2023**

It is with pleasure that I write to invite you to attend a meeting of the YPO Joint Committee Audit and Governance Sub-Committee which is to be held at **10:30 am on Friday, 7 July 2023 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 & GOVERNANCE SUB-COMMITTEE**

**Friday, 7 July 2023**

**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 & Governance Sub-Committee held on 4th November 2022. (Pages 1 - 3)
6. Audit & Governance Sub Committee Terms of Reference and Work Programme 2023 - 2024. (Pages 5 - 13)
7. Local Code of Governance & Annual Governance Statement 2022. (Pages 15 - 50)
8. Policies & Procedures Review. (Pages 51 - 53)
9. Internal Audit Plan 2023. (Pages 55 - 65)
10. Internal Audit Action Update. (Pages 67 - 71)
11. External Audit Completion Report. – *To follow.*
12. Audited Statement of Accounts. – *To follow.*
13. Exclusion of the Public and Press  
“That the public and press be excluded from the meeting during consideration of agenda items 14 – 17 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended”.

**IN PRIVATE**

14. Annual Assurance Opinion 2022. (Pages 73 - 74)
15. Risk Management Update Report. (Pages 75 - 77)
16. Treasury Outturn Report. (Pages 79 - 92)
17. Energy Update Report. (Pages 93 - 99)
18. Date of Next Meeting.  
*Proposed as 3<sup>rd</sup> November 2023.*

**YORKSHIRE PURCHASING ORGANISATION****AUDIT & GOVERNANCE SUB-COMMITTEE****FRIDAY, 4<sup>TH</sup> NOVEMBER 2022**

**Present:** Councillors: Atkin (Rotherham), Daubeney (York), White (North Yorkshire), Turner (Kirklees)

|           |  |
|-----------|--|
| <b>1.</b> | <b>ELECTION OF CHAIR</b>   |
|           | <p>Gillian Marshall requested nominations for a Chair of the Audit &amp; Governance Sub Committee for the 2022/23 municipal year.</p> <p>Councillor Atkin nominated Councillor Barnes. This was seconded and agreed by all.</p> <p><b>Resolved:</b> (1) That Councillor Barnes (Calderdale) becomes Chair of the Audit &amp; Governance Sub Committee for the 2022/23 municipal year.</p> <p>Gillian Marshall requested nominations for a temporary Chair for today's meeting.</p> <p><b>Resolved:</b> (1) That Councillor Atkin (Rotherham) be Chair of the Audit &amp; Governance Sub Committee for today's meeting.</p> |
| <b>2.</b> | <b>CHAIR'S INTRODUCTION &amp; WELCOME</b>  |
|           | <p>Introductions took place.</p> <p>Simon Hill welcomed Helen Lisle (new YPO Non-Executive Director) to the meeting. Helen introduced herself to the group.</p>  |
| <b>3.</b> | <b>ACCEPTANCE OF APOLOGIES FOR ABSENCE</b>   |
|           | <p>Apologies for absence were received on behalf of Councillors Barnes (Calderdale), and Gardiner (Barnsley).</p>  |
| <b>4.</b> | <b>MEMBERS DECLARATION OF INTEREST</b>   |
|           | <p>No declarations of interest were made.</p>  |
| <b>5.</b> | <b>URGENT ITEMS</b>  |
|           | <p>No urgent items were raised.</p>  |
| <b>6.</b> | <b>INTERNAL AUDIT PROGRESS REPORT</b>  |
|           | <p>Julie Cousins, Principal Audit Manager (Wakefield Council), shared the progress report from Internal audit on the 2022 audit plan.</p>  |

|           |  |
|-----------|--|
|           | <b>Resolved</b> – (1) That Members acknowledged the plan and the report be noted.  |
|           |  |
| <b>7.</b> | <b>YEAREND CLOSEDOWN TIMETABLE</b>   |
|           | <p>Julie Hawley (Executive Director) shared the report of the Head of Finance which informed Members of the contents of the provisional 2022 Closedown Timetable. Julie explained some background information on the External Auditors.</p> <p>Councillors asked questions regarding the costs of audits which Officers provided responses to.</p> <p><b>Resolved</b> – (1) That the provisional timetable shown in Appendix 1 is approved.</p>  |
|           |  |
| <b>8.</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 9 - 10 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended.</p>   |
|           |  |
| <b>9.</b> | <b>STRATEGIC RISK REGISTER UPDATE</b>  |
|           | <p>A report of the Executive Director for Finance provided details of the Strategic Risk Register for YPO.</p> <p>The Strategic Risk Register explains to Members the risks faced by the organisation including assessment on the level of risk, the controls in place, any additional controls and risk owners. The report summarises the changes to risk ratings agreed by the Board. Simon confirmed that the Strategic Risk Register is still a work in progress, and we are working on ensuring that we are properly capturing all business risks. Work is currently being undertaken to review risks within YPO and in particular we are using recent experience to revisit both the probable and impact scores.</p> <p>It was noted that we will bring back to the next meeting information on specific mitigations for the highest rated risks.</p> <p>Members asked a range of questions about the frequency of reporting to Committee and review at Board level.</p> <p><b>Resolved</b> – (1) That Members note the changes to the Strategic Risk Register 2022 attached at Appendix 1.</p> <p>(2) It was agreed to convene a risk workshop after the end of the current financial year (likely February 2023), so Members can review the risk appetite statement, approach, and consider particular risks.</p> <p>(3) If necessary, following that workshop, Members agreed to convene an extraordinary meeting of the Audit &amp; Governance Sub Committee to formally</p> |

|            |   |
|------------|---|
|            | consider the risks.   |
|            |   |
| <b>10.</b> | <b>TREASURY MANAGEMENT PROGRESS REPORT</b>  |
|            | <p>Neil Warren (S151 Officer) talked through the Treasury Management Progress report. The report provides a review of the treasury management strategy and the annual investment strategy.</p> <p><b>Resolved</b> – (1) That Members note the assurances provided through this report in respect of treasury management in the period to 30th September 2022 in accordance with the agreed strategy.</p> <p>(2) That Members consider and approve the proposed investment strategy for 2023 (appendix 2).</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; Governance Sub Committee is to be held on 7<sup>th</sup> July 2022, 10.30am.</p>  |
|            |   |

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**REPORT TO**  
**AUDIT & GOVERNANCE SUB-**  
**COMMITTEE**  
**TO BE HELD ON**  
**7<sup>TH</sup> JULY 2023**

**TITLE: 2023/24 WORK PROGRAMME**

**REPORT OF: MANAGING DIRECTOR**

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## **1. PURPOSE OF REPORT**

1.1 To provide members with an overview of the work scheduled for the 2023/24 committee cycle.

## **2. BACKGROUND INFORMATION**

2.1 The Audit & Governance Sub-Committee's primary purpose is to undertake the duties of 'those charged with governance' under delegation from the Management Committee. The committee scrutinises strategies and actions of the YPO management team and provides feedback, comment, and recommendations.

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

2.3 The Audit and Governance Sub-Committee meets a minimum of twice per annum.

## **3 TERMS OF REFERENCE**

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

## **4 PRINCIPAL AGENDA ITEMS**

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

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

## **5 RECOMMENDATION**

5.1 Members are asked to agree this report for submission to the Management Committee in

the name of the Chair of the Audit and Governance Sub-Committee.

**REPORT AUTHOR: SIMON HILL, MANAGING DIRECTOR**

YPO

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**APPENDICIES:**

*Appendix 1 - Principal Agenda Items*

*Appendix 2 - Terms of Reference*

*Appendix 3 - Meeting Schedule 2023/24*



**PRINCIPAL AGENDA ITEMS 2023-2024**

**MANAGEMENT COMMITTEE AGENDA**

**July (AGM)**

Membership of the YPO Management Committee  
Appointment to Sub Committee & Joint Consultative Committee  
Terms of Reference & Work Programme  
Lead Authority Issues  
Business Update  
Dividend Distribution  
Annual Report  
Report of Non-Executive Director

**November**

Business Update  
Budget & Business Plan  
Lead Authority Issues  
Report of Independent Director

**AUDIT & GOVERNANCE SUB COMMITTEE AGENDA**

**July**

Internal Audit Annual Report  
External Audit Report  
Internal Audit Plan  
Internal Audit Action Update  
Audited Accounts  
Treasury Outturn Report  
Annual Governance Statement  
Policies & Procedures Review

**November**

Internal Audit Progress Report  
External Audit Update  
Yearend Closedown Timetable  
Risk Register

*The above are the proposed agenda items; however, Members may request specific additional reports at any time throughout the committee cycle where they feel it necessary.*

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**Yorkshire Purchasing Organisation****Management Committee Terms of Reference 2023/24****Number of Members**

Thirteen Councillors – One from each Member Authority

**Quorum**

Member representation from at least five Member Authorities.

**Substitutes**

One agreed named substitute per authority is allowed.

**Frequency of Meetings**

A minimum of twice per annum.

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

**Remit**

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

## **Yorkshire Purchasing Organisation**

### **Audit & Governance Sub-Committee Terms of Reference 2023/24**

#### **Number of Members**

Eight Councillors, but not the Chair or Vice Chair of the Management Committee.

#### **Frequency of Meetings**

A minimum of twice per annum, to be scheduled approximately one month prior to Management Committee meetings (10:30am – 12pm)

#### **Quorum**

Member representation from at least three Member Authorities.

#### **Substitutes**

One agreed named substitute per authority is allowed.

#### **Remit**

1. To ensure that the highest standards of probity and public accountability are demonstrated and in doing so ensure effective governance of YPO.
2. To consider internal audit plans and performance to ensure the work of internal audit is planned and carried out with due regard to major risks, areas of significant financial effect and the need to cover the range of the service, and to challenge and review actions taken by senior managers on significant audit recommendations.
3. To consider the external audit work programme and monitor the implementation of significant external audit recommendations.
4. To review annually its terms of reference and report any additions and amendments to the Management Committee.
5. To provide an update to management committee on the activities of the committee activity by way of meeting minutes and responses to any matters arising.

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

1. To approve the annual governance statement to the Management Committee for inclusion in the annual statement of accounts, and review the implementation of any audit recommendations arising from the final accounts audit
2. On behalf of the Management Committee provide reasonable assurance of the efficient and effective operation of the overall internal control environment within YPO, through a systematic appraisal of its framework of internal controls, processes and data quality.
3. To ensure that an appropriate risk management strategy has been drawn up and to monitor that risk management procedures are being carried out effectively, including the establishment of a reserves policy.

4. To ensure the effectiveness of decisions made by YPO by means of conducting scrutiny reviews in accordance with both an approved programme and on an ad-hoc "call in" basis.
5. To carry out reviews requested by the Management Committee.
6. In conducting reviews receive evidence and call witnesses as appropriate for each review so as to determine how decisions were made, on what basis were they made, if appropriate account of options and risks were considered, if the decisions made reflected original statements of intent and if decisions were made in a timely fashion and if they were made in the best interests of YPO and in accord with YPO's public accountability and code of corporate governance.

## **Yorkshire Purchasing Organisation**

### **Joint Consultative Committee Terms of Reference 2023/24**

#### **Number of Members**

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

#### **Frequency of Meetings**

A minimum of twice per annum, on the same day as Management Committee meetings (9:30am – 10:30am)

#### **Quorum**

Two Councillors and two Trade Union officials.

#### **Substitutes**

One agreed named substitute per authority is allowed.

#### **Remit**

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



**MEMBER AUTHORITY ENGAGEMENT/GOVERNANCE SCHEDULE  
2023/2024 MUNICIPAL YEAR**

| <b>Date of Meeting</b> | <b>Directors Team Meeting<br/><i>Inc S151 / Monitoring Officer<br/>by invitation</i></b> | <b>Board Meeting<br/><i>Inc Non-Executive Director</i></b> | <b>Member Authority<br/>Finance Directors<br/>Forum*</b> | <b>Member Authority<br/>Chief Exec<br/>Forum*</b> | <b>Member Authority<br/>Procurement<br/>Forum*</b> | <b>Audit &amp; Governance<br/>Committee<br/><i>Inc Non-Executive Director</i></b> | <b>Joint Consultative<br/>Committee</b> | <b>Management<br/>Committee<br/><i>Inc Non-Executive Director</i></b> |
|------------------------|--|--|--|---|--|---|---|---|
| <b>August</b>          |  |  |  |   |  |   |   |   |
|                        | 01/8/23  | 22/8/23  |  |   |  |   |   |   |
| <b>September</b>       |  |  |  |   |  |   |   |   |
|                        | 05/9/23  | 27/9/23  |  | 13/9/23   |  |   |   |   |
| <b>October</b>         |  |  |  |   |  |   |   |   |
|                        | 03/10/23   | 24/10/23   | 12/10/23   |   | 17/10/23   |   |   |   |
| <b>November</b>        |  |  |  |   |  |   |   |   |
|                        | 07/11/23   | 28/11/23   |  |   |  | 03/11/23  | 24/11/23                                | 24/11/23  |
| <b>December</b>        |  |  |  |   |  |   |   |   |
|                        | 05/12/23   | 12/12/23   |  |   |  |   |   |   |
| <b>January</b>         |  |  |  |   |  |   |   |   |
|                        | 09/01/24   | 23/01/24   |  |   |  |   |   |   |
| <b>February</b>        |  |  |  |   |  |   |   |   |
|                        | 06/02/24   | 27/02/24   | 21/02/24   |   | 27/02/23   |   |   |   |
| <b>March</b>           |  |  |  |   |  |   |   |   |
|                        | 05/03/24   | 26/03/24   |  |   |  |   |   |   |
| <b>April</b>           |  |  |  |   |  |   |   |   |
|                        | 02/04/24   | 23/04/24   |  | 24/04/23  |  |   |   |   |
| <b>May</b>             |  |  |  |   |  |   |   |   |
|                        | 07/05/24   | 28/05/24   |  |   |  |   |   |   |
| <b>June</b>            |  |  |  |   |  |   |   |   |
|                        | 04/06/24   | 25/06/24   | 12/06/23   |   | 19/06/23   |   |   |   |
| <b>July</b>            |  |  |  |   |  |   |   |   |
|                        | 02/07/24   | 23/07/24   |  |   |  | 05/07/24  | 19/07/24                                | 19/07/24  |

\*Officer meetings will be arranged more regularly as and when required

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**YPO**

**AUDIT & GOVERNANCE SUB-COMMITTEE**

**TO BE HELD ON**

**7<sup>TH</sup> JULY 2023**

**TITLE: LOCAL CODE OF GOVERNANCE & ANNUAL GOVERNANCE STATEMENT 2022**

**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 an annual 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. Some minor changes have been made in the 2023 review to reflect the outcomes of the recent governance structure review. The updated Code is attached to this report. The draft AGS 2022 is also attached for consideration. It has been compiled in accordance with proper practice. The AGS is in draft at this stage as the External Audit and Internal Audit opinions were not available at the time of writing. The AGS 2022 includes the 2021 audit opinions as placeholders for the 2022 opinions and will be updated once they are available.
- 1.3 YPO Board are putting plans in place to review our governance arrangements with a view to bringing together aspects of governance from across the organisation into one central Governance Function. The aim of this is to strengthen internal governance during a time of dynamic changes, both within the organisation and the operating environment. New co-ordination and reporting arrangements will be put in place as part of this. A more detailed proposal and report on progress to date will be brought back to the Audit & Governance Sub-Committee meeting in November 2023.
- 1.4 As part of the proposal to strengthen arrangements, the Assistant Financial Controller will provide training to the YPO Board and SLT, focussing on the CIPFA / SOLACE Framework, Accounts & Audit Regulations (2015) and other key aspects of governance. The intention is to deliver the training in September / October and then offer it to the Audit & Governance Sub-Committee when they next meet in November 2023.

## **2. STRATEGIC IMPLICATIONS**

- 2.1 The Local Code of Governance and Annual Governance Statement 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 Regs (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 The Audit & Governance Sub-Committee receive the updated Local Code of Governance and the draft Annual Governance Statement 2022 for discussion and agreement.

### **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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## **CONTACT OFFICER: ANDREA HIRST-GEE, ASSISTANT FINANCIAL CONTROLLER**

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**APPENDICES**

*Appendix 1: Local Code of Governance 2023 (minor updates to 2019 Code)*

*Appendix 2: Draft Annual Governance Statement 2022*

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**Code of Corporate  
Governance**

## YPO Local Code of Corporate Governance 2023

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### 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   | July 2023 |
| Agreed by / date:   | Audit & Governance Sub-Committee   | July 2023 |
| Checked for compliance with contract standing orders and financial procedures / date: |  |           |
| Agreed with Unison / date:  |  |           |
| Maintained by   | Assistant Financial Controller   |           |
| Publication date  | July 2023  |           |
| Next Review date  | July 2025  |           |
| Current Version   | V2   |           |
| Distribution  | All employees, Intranet, Internet (YPO website), SharePoint                    |           |
| Replaces document   | POL/FN056/v2<br>Annual review & update reflects organisational changes in 2022 |           |

## YPO Local Code of Corporate Governance 2023

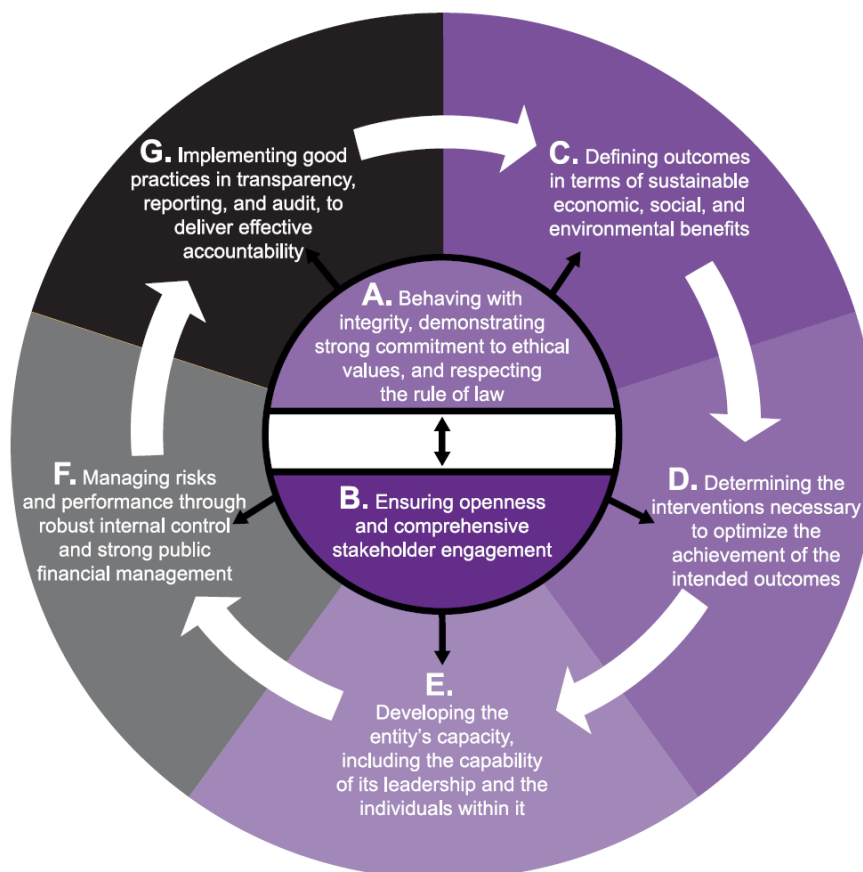
### International Framework: Good Governance in the Public Sector (CIPFA/IFAC 2014)

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 2023**

### **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 2023****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.

**YPO Local Code of Corporate Governance 2023****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 Section 151 Officer and Monitoring Officer of the Lead Authority. The Lead Authority's 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 YPO Board, the Management Committee and the Audit & Governance 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>  |   |
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| <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.<br><br>All employees receive an induction pack when starting work at YPO that includes the Employee Code of Conduct. 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.<br><br>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>• <a href="#">Anti Bribery Policy Statement</a></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>  |  |
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| <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="#">Social Value</a> We are certified to the ISO14001 standard, publish a <a href="#">Modern Slavery Statement</a> and embed 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; Governance Sub Committee</a> meets twice a year 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 Recruitment & Selection Policy and further guidance on staff appointments.<br><br>YPO's <a href="#">Anti Bribery Policy Statement</a> applies to associated persons including members, suppliers and distributors, who are asked to sign up. |

| <b>Supporting Principle – Respecting the rule of law</b>   |  |
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| <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 |
| 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  | Report templates include a mandatory section for Legal Implications. Legal advice from Wakefield Council is recorded in meeting minutes.   |
| Dealing with breaches of legal and regulatory provisions effectively   | Internal Audit test YPO's Anti-Fraud & Bribery Framework on a regular basis to provide assurance that it is working effectively in practice  |
| Ensuring corruption and misuse of power are dealt with effectively   |  |

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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>  |   |
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| <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 5 year strategy ensures that YPO's objectives are aligned to our owners' long term and political wishes. Regular engagement also takes place with 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 4.6/5)  |
| 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 Sunday Times Best Companies  |
| 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 5 year strategy that 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 Strategy and 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 & Governance 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="#">Social Value</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 senior officers from Founder Member Authorities, 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>   |
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| 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.<br><br>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. |
| Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances  |   |
| 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 5 Year Financial Plan forms part of the 5 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.<br><br>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>   |   |
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| <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 5 Year Financial Plan takes into account the long term priorities set out in the 5 year strategy and informs annual budget setting<br><br>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                     | YPO is committed to high standards of <a href="#">Social Value</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 or 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>  |   |
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| <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 5 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 plans include 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.<br><br>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 5 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>   |  |
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| <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   | 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>implementing strategy and managing the 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 <a href="#">Audit &amp; Governance Sub Committee</a> 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</p>  | <p>YPO carries out workforce and succession planning and has an established apprenticeship</p>   |

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| training or development needs   | scheme.   |
| 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 | The Health & 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. |

#### **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>   |   |
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| <b>Behaviours and actions that demonstrate good governance in practice</b>  | <b>How we demonstrate this at YPO</b>   |
| Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making | YPO has a Risk Management Strategy & Framework that sets out our approach to risk, how we identify, analyse and evaluate risks and controls (based on ISO 30001 Life Cycle of Risk).  |
| Implementing robust and integrated risk management arrangements and ensuring that they are working effectively                  | YPO maintains a Strategic Risk Register, Anti-Fraud & 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 owner. |
| Ensuring that responsibilities for managing individual risks are clearly allocated  | Risk management documents are reviewed annually and reported to the YPO Board and the <a href="#">Audit &amp; Governance Sub Committee</a> Training is provided to enable Board and Sub-Committee                                   |

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|  | <p>members to scrutinise them effectively.</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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**Supporting Principle – Managing performance**

| <b>Behaviours and actions that demonstrate good governance in practice</b>   | <b>How we demonstrate this at YPO</b>  |
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| 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="#">Audit &amp; Governance Sub Committee</a> provide oversight of executive decisions making. 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 Financial Procedure Rules and Standing Orders for Contracts that are reviewed and reported annually.   |

**Supporting Principle – Robust internal control**

| <b>Behaviours and actions that demonstrate</b> | <b>How we demonstrate this at YPO</b> |
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| <b>good governance in practice</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 & Governance 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 & Governance Sub-committee.<br><br>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.<br><br>YPO publishes a Local Code of Governance, carries out an Annual Governance Review, and reports the results in an Annual Governance Statement, with the Statement of Accounts. |
| Evaluating and monitoring the organisation's risk management and internal control on a regular basis  |   |
| Ensuring effective counter fraud and anti-corruption arrangements are in place  |   |
| Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor   |   |
| <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 &amp; Governance Sub Committee</a> consists of eight elected members from its founder member authorities. Its <a href="#">Terms of Reference</a> were last updated in 2022.   |

| <b>Supporting Principle – Managing data</b>  |  |
|--|--|
| <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 | YPO's data management framework includes: <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> |
| 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                                   |  |

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| <b>Supporting Principle – Strong public financial management</b>   |  |
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| <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.   |
| Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls | YPO’s financial management supports the delivery of services and transformation change as well as good stewardship and includes: <ul style="list-style-type: none"> <li>• Treasury Management Policy</li> <li>• 5 Year Financial Plan</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> |

**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.

| <b>Supporting Principle – Implementing good practice in transparency</b>  |   |
|---|---|
| <b>Behaviours and actions that demonstrate good governance in practice</b>  | <b>How we demonstrate this at YPO</b>   |
| 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 | <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 |
| Striking a balance between providing the right amount of information to satisfy transparency  |   |

### YPO Local Code of Corporate Governance 2023

|  |   |
|--|---|
| demands and enhance public scrutiny while not being too onerous to provide and for users to understand | <a href="#">Local Government Transparency Code 2015</a> |
|--|---|

| <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; Governance 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<br>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 Mazars. They carry out both interim and final audits and publish an opinion on the Statement of Accounts.<br><br>Internal Audit is provided by YPO's lead authority, Wakefield Council, under an SLA.<br><br>All audit actions are assigned to individuals, recorded and monitored for completion. |
| Welcoming peer challenge, reviews and  | Outstanding actions are reported to the Audit &   |

**YPO Local Code of Corporate Governance 2023**

|   |   |
|---|---|
| <p>inspections from regulatory bodies and implementing recommendations</p>  | <p>Governance Sub-Committee annually.</p> |
| <p>Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the AGS</p> |   |

## Annual Governance Statement 2022

### 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.

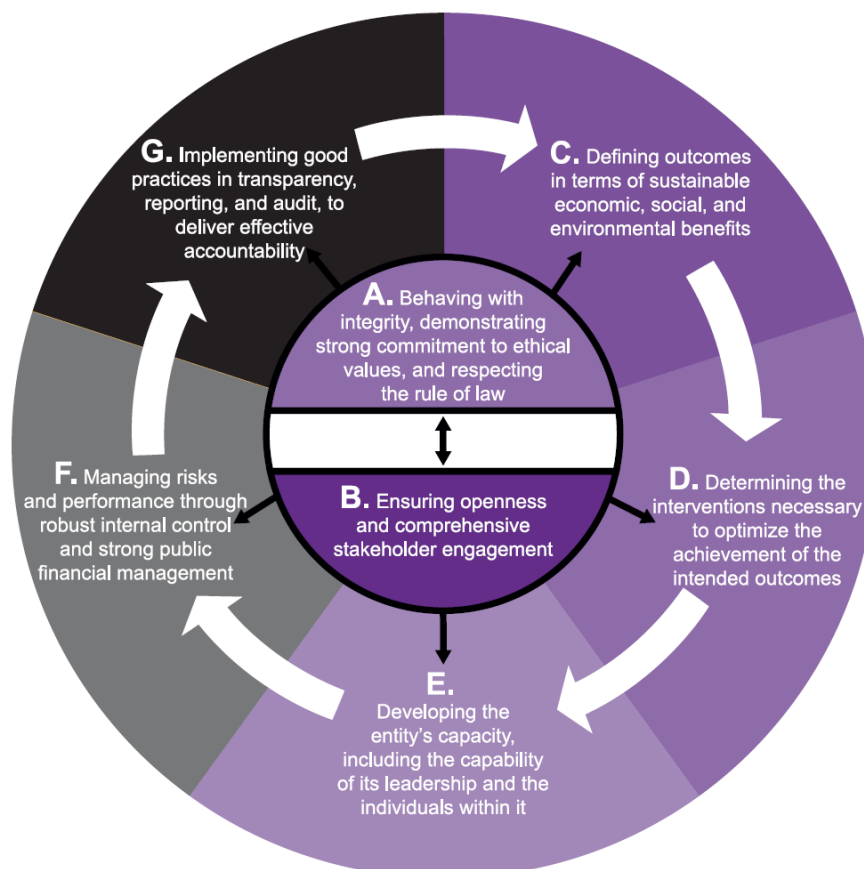
The system of internal control is a significant part of our governance framework and is designed to manage risk to a reasonable level. It helps us to identify and prioritise the risks to the achievement of our policies, aims and objectives, to evaluate the likelihood and potential impact of those risks 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 2022 and up to the date of approval of the statement of accounts.

## Annual Governance Statement 2022

### 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 2022**

### **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 & Governance Sub-Committee.

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

### **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 Independent Directors 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 Finance Procedure Rules, for day to day financial management and adherence.

## Annual Governance Statement 2022

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 Section 151 Officer and Monitoring Officer of the Lead Authority. The Lead Authority's 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 & Governance Sub-Committee.

In July 2022 the Management Committee considered a report into the findings of a review of YPO's governance structure undertaken by a working group of YPO Founder Member strategic officers. To achieve a more focussed, commercial governance structure, the report proposed the following changes:

- A reduction in Founder Member representatives on the Management Committee from two to one per local authority, with substitutes permitted.
- A reduction in the number of Committee and Sub-Committee meetings from three to a minimum of 2 per year.
- Removal of the Executive Sub-Committee
- Renaming of the Audit & Scrutiny Sub-Committee to the Audit & Governance Sub-Committee, with changes to the Terms of Reference and membership reduced from 16 to eight.
- Revisions to the Scheme of Delegation, Finance Procedure Rules and Standing Orders for Contracts.
- Continuation of the role of Independent Director.

Following further consultation with Founder Member Authorities, the proposals were agreed and necessary changes made to the Management Agreement and related documents.

## Annual Governance Statement 2022

### 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 & Governance Sub-Committee. The Head of Internal Audit has access to the Managing Director and YPO 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 elected representatives from our 13 public sector founder members. In late 2022 it was replaced by the Audit & Governance Sub-Committee, made up of 8 elected members.
  - 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 2022

### Review of Effectiveness

The [Management Committee](#) met three times in 2022 to consider matters such as:

- YPO Business Updates, Business Plans and Budgets 2022/2023
- Governance Review 2021/2022
- Dividend Distribution
- Treasury Outturn
- Appointment of Independent Directors
- Report of Independent Directors
- Operational issues including changes to Food provision

The [Audit & Scrutiny Sub-Committee](#) met twice in 2022 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 Completion Report
- Internal Audit Plan Update and Annual Assurance Opinion Report
- Internal Audit Actions Update
- Financial Procedure Rules
- Annual review of Gifts & Hospitality and Employee Declarations of Interest

Following the 2021/2022 governance structure review the Audit & Scrutiny Sub-Committee was replaced with the [Audit & Governance Sub-Committee](#) which met once in 2022 and considered matters such as:

- Internal Audit Progress Report
- Year-end Financial Closedown Timetable
- Strategic Risk Register
- Treasury Management Progress Report

Wakefield Council Head of Internal Audit's overall opinion on the systems of internal control at YPO during 2022 is: *(please note, the text below is the 2021 opinion, as reported in July 2022, and used as a placeholder until the 2022 opinion is available)*

*Reasonable assurance is provided that YPO has effective governance, risk management, and control processes. It is my professional opinion that there are 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. The outcome of internal audit testing has provided moderate assurances around the strength of existing controls and compliance.*

## Annual Governance Statement 2022

Mazars LLP issued the following audit opinion on YPO's 2022 Financial Statements: *(please note, the text below is the 2021 opinion, reported in November 2022, and used as a placeholder for 2022 opinion):*

*"In our opinion, the financial statements:*

- give a true and fair view of the financial position of the Organisation as at 31<sup>st</sup> December 2021 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 2020/2021."*

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.

### YPO Board

YPO appointed a second Independent Director in 2022 and now has a full complement of six members (Managing Director, 3 Executive Directors, and 2 Non-Executive Directors).

### Changes to the Governance Structure

As noted on pages 4 and 5, above, the 2021/2022 review of YPO's governance structure resulted in changes being proposed and agreed in mid-2022. These changes have also been reflected in YPO's Local Code of Governance.

### Digital and Business Transformation

Over the last year YPO have made substantial changes to our digital platforms to encourage new ways of working for our customers and promote more efficient ways of working for YPO staff. We have recently upgraded our ecommerce platform, therefore we now have the infrastructure to develop our customer self service area and further meet our customer needs for now and in the future. A number of improvements have been made on the website, such as enhancing the search function, implementing a guest checkout, improving our product data via an integration with our new catalogue management system, a new and improved customer interface on the my account area therefore enhancing customer experience, a new account landing page which creates a view of balances and invoice breakdowns which encourages swifter payments, easier access to customer documents encouraging them to go paperless and a new chatbot is in place to support customer queries to reduce to need for customers to place a calls.

## Annual Governance Statement 2022

Year on year we are actively reducing the size and number of catalogues that we produce, offering promotions online via discount codes to promote this platform. YPO have ensured that our pricing remains competitive via a new benchmarking tool, which enables YPO to track wider market pricing and it ensures we are offering best value to our customers. We have further enhancements planned over the next 6 months.

### Modern Workplace

The Modern Workplace Project was initiated in summer 2021 as part of a managed response to UK Government Covid-19 guidelines for returning to work. 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 and attendance on site has increased steadily as a result. Agile working arrangements have now been formalised with a new policy agreed in 2021/2022.

### Insurance

In the final quarter of 2022 YPO retendered its entire insurance portfolio via the YPO Insurance Framework. Insurance is an essential means of mitigating risk by transferring it to a third party or parties. Insurance tendering and annual renewal also encourages good risk management on a day to day basis by ensuring effective arrangements are in place to mitigate the risk of loss, damage, injury and crime. The portfolio includes: mandatory insurances (Employer Liability, Motor); other casualty insurance (Public Liability); asset protection (Property & Business Interruption and others); financial lines (Professional Indemnity and Directors & Officers); and specialist areas (eg Cyber). In the 5 years since the previous insurance contract tender, we have worked to significantly reduce the number of incidents that might lead to claims and the number of claims themselves. This was recognised positively by insurers throughout the tender process.

The outcome of the tender process was successful. All insurances except two were awarded on the basis of Long Term Agreement (3-5 years). Property & Business Interruption and Cyber were awarded on an annual basis following further specialist negotiations. The portfolio is split evenly across the three main public sector insurers and includes a good balance between risk transfer and cost (keeping hold of some potential risk and cost in the form of deductibles to reduce premiums). The total value insured is approximately £60m-£70m of tangible and intangible assets and indemnities, and the contract value is approx. £2m-£3m. The total cost of premiums for 2023 (£0.6m) was slightly lower than the expiring 2022 cost which represents a saving in real terms, allowing for inflation and other pressures on the insurance market. In effect this means YPO's good risk and claims management offset increasing insurance market costs.

Tendering through the YPO Framework also enabled us to demonstrate the benefits of our own framework and support from our Public Sector team, as well as good governance and transparency in complying with Procurement Regulations.

## Annual Governance Statement 2022

### **Social Value and Modern Slavery**

YPO publishes a [Modern Slavery Statement](#) reviewed annually, 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.

In 2022 we launched our commitments to Social Value and Sustainability with a new strategy defining our approach in Procurement & Supply Chain, Environmental, Communities and Our People. More information about our commitments can be found on our website <https://www.ypo.co.uk/about/social-value>. We also committed to reducing our carbon emissions by 50% by 2030, and to reducing net zero emissions by at least 2038 for our operational scope 1 & 2 emissions.

### **NAV Upgrade**

In February 2023 we successfully completed an upgrade of the NAV system, the upgrade was needed to move the system to a supported cloud based server. The upgrade was supported by a project plan which outlined the activities needed and key completion dates, as a result of the effective planning and good engagement from all departments the upgrade went smoothly without any issues occurring.

### **Energy Procurement**

In 2021/2022 YPO experienced volatility within the energy market that increased the risks around energy procurement. A considerable amount of work was done with both suppliers and customers to mitigate this risk in the future. YPO also commissioned an independent energy report, the recommendations from which have been incorporated into working practices.

### **Food Business**

Following a review of the food stock business and consultation with customers, staff, and the union in early 2022, YPO made the decision to change the way we supply food to customers, moving away from storing and delivering ambient and chilled food products through our own fleet and warehouses and focusing instead on dedicated food suppliers who can deliver directly to customers through our fully compliant framework award. The changes came into effect fully from 1<sup>st</sup> April 2023

**Annual Governance Statement 2022****The Role of the Audit & Governance Sub-Committee**

The role of the Audit & Governance 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 2022 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 any necessary steps to further enhance our governance arrangements. We are satisfied that these steps will address any 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 & Governance Sub-Committee

Managing Director

Date



**YPO**

**AUDIT & GOVERNANCE SUB  
COMMITTEE**

**TO BE HELD ON**

**7<sup>TH</sup> JULY 2023**

**TITLE: POLICIES AND PROCEDURES REVIEW**

**REPORT OF: HEAD OF FINANCE**

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## **1. BACKGROUND INFORMATION**

- 1.1 YPO has in place various governance policies and supporting documents that set out our approach to managing the organisation. These are reviewed regularly, and any significant changes brought to committee for approval.
- 1.2 Since the last summary was considered by the Board and the Audit & Scrutiny Sub-Committee in May and June 2022 the reports listed in the table in Appendix 1 have been reviewed and recommended actions identified.
- 1.3 At the time of writing this report several policies relating to the ISO 27001 (Information security) process are out for review and will therefore be included on next year's report.
- 1.4 Following several changes to the YPO HR team over the last 18 months and with new structures now in place a policy review tracker has been put in place. Therefore, a suite of policies are due to be reviewed throughout 2023 and will be reported on in next year's report.
- 1.5 Following an Organisation wide Governance review in 2022 it was decided that the Committee meeting cycle would be reduced from three times a year to twice a year. Therefore, the first round of meetings in 2023 are taking place in July and as per appendix 1 several policies have been submitted for review in July 2023.

## **2. STRATEGIC IMPLICATIONS**

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

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

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

## **4. LEGAL IMPLICATIONS**

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

**5. RISK IMPLICATIONS**

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

**6. CONSULTATION**

6.1 The reports, policies etc listed in the table at Appendix 1 were subject to appropriate consultation before they were finalised and approved.

**7. OPTIONS APPRAISAL**

7.1 Not required.

**8. RECOMMENDATIONS**

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

**9. REASONS FOR RECOMMENDATIONS**

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

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

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**APPENDIX:**

*Appendix 1 – Policies & procedures reviewed*

**Appendix 1**

| <b>Item</b>  | <b>Latest Status</b>                                    | <b>Action</b>  |
|--|---|--|
| Local Code of Corporate Governance                       | Annual review and report Jan 2022                       | Code was fully rewritten in 2019: review identified no further action required at this time. Code is currently being updated for 2022 changes and updated document will be brought to Audit & Gov Sub Committee meeting July 2023. |
| Annual Governance Review and Annual Governance Statement | Annual review and report Jan 2022                       | AGS approved and published Feb 2022 (pending inclusion of audit opinions). As above, for Local Code of Governance.   |
| Risk Management Strategy & Framework                     | Published Dec 2019.<br>Annual review Feb 2022           | Fully revised strategy & framework approved & adopted 2020. Review identified no further action required. Update report to Audit & Gov Sub Committee meeting July 2023.  |
| Strategic Risk Register Q1 2021                          | Annual review and report October 2022                   | Update report to Audit & Gov Sub Committee meeting July 2023.  |
| Financial Procedure Rules (FPR)                          | Reviewed and approved at July 2022 Management Committee | FPR subject to annual review but no actions required at this time  |
| Contracts Standing Orders (CSO)                          | Reviewed and approved at July 2022 Management Committee | CSO subject to annual review but no changes identified for 2023. Full review required in 2024 due to procurement reform.   |
| Outstanding Internal Audit Actions                       | Annual review and update Feb 2022                       | A small number of overdue actions to report. Update report to Audit & Gov Sub Committee meeting July 2023  |

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|  | <p style="text-align: center;"><b>YPO</b></p> <p style="text-align: center;"><b>AUDIT &amp; GOVERNANCE SUB<br/>COMMITTEE</b></p> <p style="text-align: center;"><b>TO BE HELD ON</b></p> <p style="text-align: center;"><b>7<sup>TH</sup> JULY 2023</b></p> |
|---|---|

**TITLE: DRAFT ANNUAL INTERNAL AUDIT PLAN 2023**

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

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## **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 2023. 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 Governance 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.
  - 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 This is the second year of the organisation’s five-year strategy, with a mission to ‘be the UK’s number one public sector buying organisation’. The top three priorities are to: grow in the public sector by 300%; digital transformation; and strategic initiatives (£5m). This is to be achieved through the following themed areas:

- Brilliant Basics.
- Digitalisation.
- Partnerships.
- Growth.
- Assets.

2.4 The proposed audits for 2023 have been linked to these objectives and themes to ensure that the audit plan reflects the current strategic direction of YPO.

Strategic Risks

2.5 As recognised in the introductory paragraph professional standards (the PSIAS) there is a requirement to set a risk-based internal audit plan. A key document for consideration was therefore the Strategic Risk Register (SRR). YPO uses a 4 x 4 risk matrix, assessed on probability and impact.

2.6 The SRR was presented to the last Audit and Governance Sub-Committee meeting in November 2022. There were six ‘very high’ and five ‘high’ rated risks which were a focus of discussions with the Assistant Financial Controller, these are set out in Table One. The table also provides commentary on the proposed internal audit coverage.

**Table One: Assurance Coverage for the Very High and High Strategic Risks**

| SRR Ref | Description  | Assurance Coverage? | How  |
|---------|--|---------------------|--|
| SRR03   | Sufficiency of funds to deliver strategic objectives / priorities.               | Yes                 | Financial Resilience Audit.                                      |
| SRR05   | Adequacy of the IT infrastructure  | Partial             | Consultancy work on the Warehouse Management System.             |
| SRR07   | Adequacy of accounting records.  | Yes                 | External Audit.  |
| SRR08   | Efficiency of business practices   | Yes                 | Through each audit.  |
| SRR09   | Robustness of business continuity arrangements in the event of a major incident. | No                  | N/A  |
| SRR10   | Ability to fulfil customer orders.   | Yes                 | Through the consultancy work on the warehouse management system. |
| SRR11   | Quality of customer service,   | Partial             | As above.  |
| SRR12   | Reputational damage.   | Partial             | This has links to all internal audit coverage.                   |
| SRR13   | Underachievement of sales forecasts.   | No                  | N/A  |
| SRR16   | Ability to respond to market changes.  | No                  | N/A  |
| SRR18   | Cyber security threats.  | No                  | N/A  |

2.7 The Committee will note that there are six strategic risks which are rated high, or above which are not covered by either internal or external audit coverage. These may be areas for the Committee to consider when setting its work programme. The Service Manager for Internal Audit and Risk (SMIAR) can make the following observations:

- YPO has demonstrated its resilience through the Covid-pandemic, this has links to SRR09 (business continuity). Committee may wish to request

assurances on business continuity and disaster recovery arrangements in the event of information technology being disrupted over a period of more than a day.

- YPO undertook a review of its governance arrangements in 2022, the outcome of which was reported to the Management Committee in July 2022. Having effective governance arrangements in place, along with a strong culture, is an important aspect of managing the reputation of YPO (SRR12).
- The Statement of Accounts provide detailed narrative and figures that cover income, sales, and cashflow. This is an important assurance document for SRR13.
- The annual report from the Independent Director provides helpful observations on performance over the preceding year and potential future challenges. This provides coverage for SRR12 (reputational damage) and SRR16 (market changes).
- The Managing Director provides business updates to the Management Committee which also provided coverage of SRR12 (reputational damage) and SRR16 (market changes).
- For SRR18 (cyber security), YPO is working towards ISO27001 Information Security Management Systems accreditation. If achieved this will provide good assurance that YPO has a system of to manage risks relating to the security of data, it owns or handles.

#### Input from key stakeholders

- 2.8 Internal Audit has met with the 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 Governance Sub Committee.

#### Draft Internal Audit Plan for 2023

- 2.9 The proposed Internal Audit Plan 2023 is set out in Appendix A and a high-level summary is provided in Table Two.

**Table Two: Draft Internal Audit Plan 2023**

| <b>Audit</b>                                   | <b>Comments</b>  | <b>Audit Days</b> |
|--|--|-------------------|
| <b>Key Financial System (Three Year Cycle)</b> |  |                   |
| Debtors  | The last audit (2020) provided an opinion of moderate assurance for the strength of controls and compliance.   | 20                |
| Payroll  | The last audit (2020) provided an opinion of good assurance for the strength of controls and compliance.   | 20                |
| <b>Risk-Based and Governance</b>               |  |                   |
| Financial Resilience                           | The country continues to face economic challenges which impact on business resilience. Some early work had been commenced by Financial Management (Wakefield Council) and this audit will build upon that.   | 20                |
| Health and Safety                              | Health and safety risks are reviewed by Internal Audit on an annual basis, the last focussing on near misses.<br><br>A new Health and Safety Manager started in June 2023 and the exact scope will be agreed with them, input from this Committee is welcomed. | 20                |
| Workforce Development and Succession Planning  | This is a key business process aligning the 'people strategy' to organisational needs to ensure that the right skills and experience are in place to deliver agreed priorities.  | 20                |
| <b>Consultancy</b>                             |  |                   |
| Counter-Fraud                                  | Up to five days free advice, acting as a critical friend on the adequacy of counter-fraud arrangements.  | N/A               |
| Risk Management                                | Up to five days free advice, acting as a critical friend on the adequacy of risk management arrangements. This could   | N/A               |

| Audit   | Comments   | Audit Days |
|---|--|------------|
|   | extend to the work being undertaken to implement a new risk management system.   |            |
| Warehouse Management System                           | To be a critical friend on the Warehouse Management System Project. This will focus on the strength of governance arrangements for the process and risk management arrangements / reporting. | 10         |
| <b>Recommendation Tracking and Sample Checks</b>      |  |            |
| Follow-up of high and medium priority recommendations | This is a recommendation from the external quality assessment by the Chartered Institute of Internal Auditors in 2022.   | 5          |
| <b>Contingency and Reporting</b>                      |  |            |
| Contingency   | This will include time for any additional work from the agreed audits and provision of ad hoc advice during 2023.  | 5          |
| Liaison and reporting                                 | Time for the preparation of the 2023 Internal Audit Plan, the annual assurance opinion, any meetings with senior management, the Audit Committee, and Management Committee.                  | 5          |
| <b>Total Internal Audit Days</b>                      |  | <b>125</b> |

Internal Audit Opinion Levels

2.10 Tables Three and Four set out the assurance opinion levels which are used when issuing the draft and final audit reports.

**Table Three: 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 Four: Internal Audit Opinion Level for Compliance with Existing Controls**

| Opinion     | Definition  |
|-------------|---|
| Substantial | The control environment has substantially operated as intended.   |
| Good        | The control environment has largely operated as intended although some minor errors have been identified. |
| Moderate    | The control environment has mainly operated as intended although errors have been identified.             |
| Limited     | The control environment has not operated as intended with significant errors identified.                  |
| None        | The control environment has fundamentally broken down and is open to significant error or abuse.          |

**3. STRATEGIC IMPLICATIONS**

3.1 Section 2 of this report details how the audit plan has been developed, 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 £47,637.
- 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 Governance 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 There are no equality implications.

#### **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 Governance Sub-Committee is asked to review and provide comments on:
- The proposed Internal Audit Plan for 2023 (see Appendix A).

**Contact Officer:**

Jason Brook, Service Manager for Internal Audit & Risk (Wakefield Council)

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# **Draft Internal Audit Plan 2023**

**Table Five: Proposed Audits for 2023 Calendar Year**

| Audit Area  | Type of Audit        | Brief Summary / High-Level Scope  | Audit Days     | Links to YPO Priorities    | Links to YPO Risks |
|---|----------------------|---|----------------|----------------------------|--------------------|
| <b>Assurance Work for Wakefield Council's Section 151 Officer</b> |                      |   |                |                            |                    |
| Debtors   | Key Financial System | To seek assurance that the arrangements for debt recovery are robust and debt levels are appropriately monitored and managed.   | 20             | Assets<br>Growth           | SRR-07<br>SRR-08   |
| Payroll   | Key Financial System | To seek assurance that there are effective arrangements for: <ul style="list-style-type: none"> <li>The accurate and timely processing of new starters, leavers, and payroll changes.</li> <li>The accurate and timely payment of salaries to officers.</li> <li>The accurate and timely payment of monies due to third parties (pension, and Inland Revenue).</li> </ul> | 20             | Assets<br>Growth           | SRR-07<br>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                |
| Warehouse Management System                                       | Consultancy          | To act in a 'critical friend' role for the YPO in ongoing warehouse management project.   | 10             | All                        | SRR-10<br>SRR-11   |
| <b>Governance and Risk-Based Work</b>                             |                      |   |                |                            |                    |
| Adherence to legislation – Health and Safety                      | Risk-Based           | To seek assurance over Health and Safety risk areas ensuring compliance with key policies and legal frameworks.<br><br>The exact scope will be discussed and agreed with the new Health and Safety Manager. The input from this Committee is welcomed.  | 20             | Brilliant Basics<br>Assets | SRR-02<br>SRR-12   |
| Financial Resilience  | Risk-Based           | To seek assurance on the arrangements in place for ensuring that YPO continues to be financially resilient.   | 20             | All                        | SRR-01<br>SRR-03   |

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

| Audit Area  | Type of Audit | Brief Summary / High-Level Scope  | Audit Days | Links to YPO Priorities                | Links to YPO Risks                                |
|---|---------------|---|------------|--|---|
|   |               |   |            |  | SRR-12<br>SRR-13                                  |
| Workforce Development and Succession Planning         | Risk-Based    | To undertake a deep-dive of SRR-04 and seek assurance on the adequacy of this risk record and the proposed mitigating actions.  | 20         | All                                    | SRR-04  |
| <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’.<br>Focus on the high priority actions following the debtors audit in 2020 with a focus on aged debt, cash flow and financial planning.  | 15         | All                                    | Dependent upon the nature of the recommendations. |
| <b>Contingency Time</b>                               |               |   |            |  |   |
| Contingency Time                                      | -             | Time set aside for new and emerging risks.  | 5          | Dependent upon the nature of the work. | Dependent upon the nature of the work.            |
| <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.<br><br>Drafting of the Annual Internal Audit Opinion Report.<br><br>Drafting of regular update reports to Elected Members and senior management.<br><br>Travel to, and attendance at, relevant YPO Committee’s (e.g., YPO Management Committee and YPO Audit Sub-Committee).<br><br>Liaison as and when required. | 5          | N/A                                    | N/A   |
| <b>Total (excluding 10 days non chargeable time)</b>  |               |   | <b>125</b> |  |   |

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

| Audit Area                                   | 2019 | 2020 | 2021 | 2022 | 2023 | Comments  |
|--|------|------|------|------|------|---|
| <b>Section 151 Assurance Work</b>            |      |      |      |      |      |   |
| Asset Management                             | ✓    |      |      | ✓    |      | This audit is currently at draft report stage.  |
| Budgetary Control                            |      |      | ✓    |      |      | This last audit provided an opinion of moderate assurance for the strength of the control environment and compliance.   |
| Creditors (including ordering).              | ✓    |      |      | ✓    |      | This audit was undertaken in 2022 and an opinion of limited assurance was provided, implementation of the high and medium priority recommendations will be followed up in 2023.   |
| Debtors                                      |      | ✓    |      |      | ✓    | The last audit provided an opinion of moderate assurance for the strength of the control environment and compliance.  |
| Main Accounting System.                      |      |      | ✓    |      |      | The last audit provided an opinion of moderate assurance for the strength of the control environment and compliance.  |
| Payroll                                      |      | ✓    |      |      | ✓    | The last audit provided an opinion of good assurance for the strength of the control environment and compliance.  |
| <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.     | ✓    | ✓    |      |      |      | The new system was implemented during 2021/22.  |
| Warehouse Management                         |      |      |      |      | ✓    | This will be new consultancy work to act as critical friend on the robustness of the programme management arrangements.   |
| <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 and covered the following: <ul style="list-style-type: none"> <li>• Covid-19 arrangements – substantial assurance (controls and compliance) in 2020.</li> <li>• Health and safety training – substantial assurance (controls) and moderate (compliance) in 2021.</li> <li>• Near misses reporting – moderate assurance (controls and compliance) in 2022.</li> </ul> |
| Business Planning                            | ✓    |      |      | ✓    |      | The last audit provided an opinion of moderate assurance for both the strength of the control environment and compliance.   |
| Contractual Break Clauses                    |      |      |      | ✓    |      | The last audit was completed in two phases and moderate assurance was provided for the strength of the control environment and good assurance for compliance.   |
| Customer Engagement                          |      | ✓    |      |      |      | The last audit provided an opinion of good assurance for both the strength of the control environment and compliance.   |
| Data Quality                                 |      | ✓    |      |      |      | The last audit provided an opinion of good assurance for both the strength of the control environment and compliance.   |
| Financial Resilience                         |      |      |      |      | ✓    | Not previously audited.   |
| ICT Arrangements                             |      | ✓    |      |      |      | Coverage through the 'critical friend' role for the warehouse management system project.  |

| Audit Area                                    | 2019 | 2020 | 2021 | 2022 | 2023 | Comments   |
|---|------|------|------|------|------|--|
| Rebate Income                                 | ✓    |      |      | ✓    |      | The last audit provided an opinion of moderate assurance for both the strength of the control environment and compliance.                  |
| Stock Control                                 |      |      | ✓    |      |      | The last audit provided an opinion of substantial assurance for the strength of the control environment and good assurance for compliance. |
| Transport Logistics                           |      | ✓    |      |      |      | The last audit provided an opinion of good assurance for both the strength of the control environment and compliance.                      |
| Workforce Development and Succession Planning |      |      |      |      | ✓    | Not previously audited.  |
| <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 & GOVERNANCE SUB-COMMITTEE**

**TO BE HELD ON**

**7<sup>TH</sup> JULY 2023**

**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 & Governance Sub-Committee.
- 1.3 Audit & Governance Sub-Committee last received an Internal Audit Actions Update report in January 2022. At that time there was one outstanding audit action to report.
- 1.4 There were 39 audit actions arising from 6 audits from the 2021 plan finalised in 2021 / 2022. All but one high priority actions have been fully completed. Some medium or low priority actions are partially completed: initial work to address any control weaknesses is done but there is scope for further improvement eg through system developments so the action is not yet marked complete. Some actions are agreed and preparatory work done but will not be fully implemented until processes fall due for 2023/2024, namely work on business planning and budget setting. See Appendix 1 for further details.
- 1.5 Audits from the 2022 audit plan were completed in late 2022, early 2023 or are due to complete later in 2023. 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 Audit & Governance Sub-Committee note progress on completing Internal Audit actions.

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

9.1 The report provides assurance to the Audit & Governance 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****Audit Contract Break Clauses Part 1****Action Ref** AA04**Priority** Low**Status** Partially Complete / Ongoing**Detail** The connection between the strategic and contracts risk registers could be improved by periodically reviewing the contracts register and reflecting any changes in the strategic register.**Update** The contracts risk register is updated and available to view but has not as yet been presented to Board or SLT. The link to the Strategic Risk Register will be picked up as part of the ongoing improvements in risk management including implementation of a risk management system.**Action Ref** AA05**Priority** Medium**Status** Ongoing**Detail** Consideration should be given to providing greater visibility to the Contracts Risk Register or developing a process by which risks contract risks assessed as high are escalated and reported by exception, this process being captured within the procurement handbook which is under development.**Update** We are currently developing a procurement handbook to codify and otherwise capture the procurement process. Risk escalation will be picked up as part of the ongoing implementation of the new risk management system.**Action Ref** AA06**Priority** Medium**Status** Ongoing**Detail** Consideration be given to changing the description of the impact factors used to assess contract risks to avoid confusion and include user guidance as an additional tab on the contract register spreadsheet.**Update** This is pending subject to implementation of the new risk management system so that we don't create a new measure and then have to replace it again.**Audit Adherence to Legislation: Health & Safety****Action Ref** AA08**Priority** Medium**Status** Ongoing

**Detail** The induction eLearning system should be enhanced to automatically enrol individuals onto induction modules and monitoring of completion of modules should be undertaken.

**Update** There have been a number of changes in Health & Safety overseen by the Health & Safety Committee. System developments are ongoing. Health & Safety is audited every year and any outstanding actions will be picked up on 2022/2023 audit plan.

**Audit                    Budgetary Control**

**Action Ref** AA01

**Priority** Medium

**Status** Partially Complete

**Detail** A review date should be noted on the Financial Procedure Rules and Budget Holder Responsibility Guidance documents when the review occurs, to evidence that the review process is completed in full. Consideration should be given to whether the FPRs and Budget Guidance documents are complete and remain fit for purpose for the organisation.

**Update** FPRs have been fully reviewed and updated in 2022, we will review the budget guidance documents in line with the 2024 business planning process.

**Action Ref** AA04

**Priority** Medium

**Status** Ongoing

**Detail** Key officers responsible for the approval of documents as per the Financial Procedure Rules should have said approval noted in the relevant meeting minutes to ensure transparency of decision making.

**Update** We will review this and introduce into meeting minutes as appropriate.

**Audit                    Main Accounting System: Credit Notes and Refunds**

**Action Ref** AA01

**Priority** High

**Status** Ongoing

**Detail** A refund policy should be drafted to determine the circumstances under which a refund should be issued. It should also identify the authorisation levels for which staff can request refunds and at what value.

**Update** A refund is an outcome of a previous return / credit: as procedures exist for these processes and approval limits are to be introduced, we will explore whether a refund policy is required.

**Action Ref** AA02

|                   |  |
|-------------------|--|
| <b>Priority</b>   | Medium   |
| <b>Status</b>     | Ongoing  |
| <b>Detail</b>     | Consideration should be given to explore the functionality of Navision 2017 to implement further controls that will mitigate the risk of credit memos/sales return orders being raised incorrectly or issued without the appropriate authorisation.  |
| <b>Update</b>     | NAV functionality is being explored to introduce an approval workflow for credits over a certain value. Business Change team is supporting on this work.   |
| <b>Action Ref</b> | AA03   |
| <b>Priority</b>   | Medium   |
| <b>Status</b>     | Partially Complete / Ongoing   |
| <b>Detail</b>     | Internal Audit recommends that a formal policy is drafted which identifies the specific criteria for when a customer reports an order as missing. This should outline the expectations of staff and parameters for when authorisation is required by a supervisor/Customer Experience Manager. |
| <b>Update</b>     | Procedures are in place which staff should adhere to for missing items before processing a return. Approval limits are also to be implemented as per the above. Our write off policy will be explored as part of this.   |
| <b>Action Ref</b> | AA04   |
| <b>Priority</b>   | Medium   |
| <b>Status</b>     | Partially Complete / Ongoing   |
| <b>Detail</b>     | A more detailed reporting arrangement should be determined to assess the volume and value of credits and refunds being raised. This would allow better monitoring and identify training needs for staff.   |
| <b>Update</b>     | Additional reporting is now included within the monthly KPI pack, detailing the volume and reason behind returns / credits. A next step which looks into this further to see how we can mitigate the number of returns will be put in place later this year.                                   |
| <b>Action Ref</b> | AA05   |
| <b>Priority</b>   | Medium   |
| <b>Status</b>     | Ongoing  |
| <b>Detail</b>     | A process should be set up to perform periodic checking of accounts with a credit balance, to ascertain the appropriate course of action.  |
| <b>Update</b>     | Credit balances will be reviewed as part of the monthly debtors review and routine write ons will take place due to the low value of most credit balances.   |

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