

Your Ref.  
Our Ref

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Date 13 July 2023

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Typetalk calls welcome

**To: Members of the Management Committee of the Yorkshire Purchasing Organisation Joint Committee**

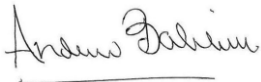
**Chief Executive of the Constituent Authorities (for information)**

Dear Councillor

**YORKSHIRE PURCHASING ORGANISATION MANAGEMENT COMMITTEE MEETING  
– FRIDAY, 21 JULY 2023**

You are invited to a meeting of the Management Committee of the Yorkshire Purchasing Organisation Joint Committee which is to be held at **10:30 am on Friday, 21 July 2023** at the **YPO HQ, 41 Industrial Park, Wakefield** to consider the items set out in the agenda detailed overleaf.

Yours sincerely



Andrew Balchin  
Secretary to the Joint Committee

**PLEASE NOTE:** A buffet lunch is to be provided at the conclusion of the meeting. Please contact Kayley on the details above if you have any dietary requirements.

**As a courtesy to colleagues will you please turn all electrical devices to silent prior to the start of the meeting.**

**YORKSHIRE PURCHASING ORGANISATION  
MANAGEMENT COMMITTEE  
Friday, 21 July 2023**

**AGENDA**

1. Members' Declaration of Interest.
2. Apologies for Absence.
3. Election of Chair.  
Nominations are requested for the position of Chair of the Management Committee who in turn would become the Chair of the Joint Consultative Committee/Appointments Sub-Committee for the year 2023/24.
4. Election of Vice Chair.  
Nominations are requested for the position of Vice Chair of the Management Committee who in turn would become the Vice Chair of the Joint Consultative Committee/Appointments Sub-Committee for the year 2023/24.
5. To note any items which the Chair has agreed to add to the agenda on the grounds of urgency.
6. To approve as a correct record, the Minutes of the Audit & Governance Sub-Committee meeting held on 7th July 2023 and agree the recommendations for each report contained within the minutes. (Pages 1 - 6)
7. To approve, as a correct record, the Minutes of the Management Committee meeting held on 25th November 2022. (Pages 7 - 10)
8. Membership of the YPO Management Committee. (Pages 11 - 12)
9. Appointments to Sub Committees & Joint Consultative Committee. (Pages 13 - 14)
10. Terms of Reference & Work Programme 2023-2024. (Pages 15 - 23)
11. Annual Assurance Opinion. (Pages 25 - 36)
12. Lead Authority Issues.
13. Annual Report. (Pages 37 - 38)
14. In relation to reports containing exempt information to consider, and if approved, pass the following resolution:-  
“That the public and press be excluded from the meeting for consideration of agenda items 15 - 19 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended.”

**IN PRIVATE**

15. Business Update. (Pages 39 - 44)
16. Dividend Distribution. (Pages 45 - 48)
17. Report of Non-Executive Director. (Pages 49 - 52)
18. Monitoring Officer Update. (Pages 53 - 57)
19. Board Structure. (Pages 59 - 64)
20. Date and Time of Next Meeting.

*The next meeting is proposed to be held on 24<sup>th</sup> November 2023.*

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**YORKSHIRE PURCHASING ORGANISATION**

**AUDIT & GOVERNANCE SUB-COMMITTEE**

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

**Present:** Councillors: Barnes (Calderdale), Atkin (Rotherham), Turner (Kirklees), Franklin (Barnsley).

<b>1.</b>	<b>CHAIR'S INTRODUCTION &amp; WELCOME</b>
	<p>Introductions took place.</p> <p>The committee noted thanks to Neil Warren for his time as S151 Officer.</p>
<b>2.</b>	<b>ACCEPTANCE OF APOLOGIES FOR ABSENCE</b>
	<p>Apologies for absence were received on behalf of Councillor Walsh (Knowsley).</p>
<b>3.</b>	<b>MEMBERS DECLARATION OF INTEREST</b>
	<p>No declarations of interest were made.</p>
<b>4.</b>	<b>URGENT ITEMS</b>
	<p>No urgent items were raised.</p>
<b>5.</b>	<b>PREVIOUS AUDIT &amp; GOVERNANCE SUB COMMITTEE MINUTES</b>
	<p>The minutes of the YPO Audit &amp; Governance Sub-Committee held on 4<sup>th</sup> November 2022 were approved by all.</p>
<b>6.</b>	<b>AUDIT &amp; GOVERNANCE SUB COMMITTEE TERMS OF REFERENCE &amp; WORK PROGRAMME 2023-2024</b>
	<p>Consideration was given to the report of the Managing Director which provided members with an overview of the work scheduled for the 2023/24 committee cycle.</p> <p>The report also proposed the Terms of Reference, Principal Agenda Items, and 2023/24 Meeting Schedule.</p> <p>Simon Hill reiterated that Members are welcome to bring other items to the committee when they feel it necessary, the principal agenda items are a guideline.</p> <p>Jason Brook, Service Manager for Internal Audit &amp; Risk (Wakefield Council), raised that it would be useful to bring an indicative internal audit plan for the following year to the November Audit &amp; Governance sub committee's going forward.</p>

	<p><b>Resolved</b> – (1) That the report be noted and submitted to the Management Committee on 21<sup>st</sup> July for sign off by all Members.</p> <p>(2) It was agreed to add a report on the indicative Internal Audit Plan for 2024 to the principal agenda items for the November 2023 Audit &amp; Governance sub-committee meeting.</p>
<p><b>7.</b></p>	<p><b>LOCAL CODE OF GOVERNANCE &amp; ANNUAL GOVERNANCE STATEMENT 2022</b></p> <p>The Managing Director (Simon Hill) talked through the report. YPO must comply with the CIPFA / SOLACE: Delivering Good Governance in Local Government Framework 2016 and Accounts &amp; 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).</p> <p>Simon explained we are looking to pull together a central business governance team to upgrade our adherence to governance going forward.</p> <p>We are also strengthening our commitment to social value and sustainability; the report goes into detail on what we have put in place in these areas.</p> <p>Helen Lisle raised that the document refers to two Non-Executive Directors. It was agreed this would be amended to one.</p> <p><b>Resolved</b> - (1) The Audit &amp; Governance Sub-Committee agree the updated Local Code of Governance and the draft Annual Governance Statement 2022, subject to the one amend.</p>
<p><b>8.</b></p>	<p><b>POLICIES &amp; PROCEDURES REVIEW</b></p> <p>Consideration was given to a report of the Head of Finance entitled Policies &amp; Procedures Review.</p> <p><b>Resolved</b> - (1) That Members note the contents of the table at appendix 1.</p>
<p><b>9.</b></p>	<p><b>INTERNAL AUDIT PLAN 2023</b></p> <p>Consideration was given to the report of the Service Manager for Internal Audit &amp; Risk (Wakefield Council) which provided Members with a proposed Internal audit plan for 2023.</p> <p>Jason Brook talked through the key headlines of the report and provided a commentary around the potential gaps in assurance, with the areas not covered by internal or external audit.</p> <p>Jason raised that it would be useful to highlight cyber security as it is such a large risk area. Shaun (Mazars) echoed the comments around cyber security.</p>

	<p>Cllr Barnes agreed he would like IT and cyber security to be pulled out further as a future focus for internal audit and YPO.</p> <p>Julie Hawley explained we have a lot of activity in place from our IT team and we can bring some stats on this back to a future committee if that would be useful.</p> <p><b>Resolved</b> – (1) That the report be noted.</p> <p>(2) It was agreed that an assurance report focussing on Cyber Security will be brought to a future sub-committee.</p>
<p><b>10.</b></p>	<p><b>INTERNAL AUDIT ACTION UPDATE</b></p>
	<p>The Executive Director Finance (Julie Hawley) talked through the internal audit action update report, which provides an update on the progress made on agreed audit actions resulting from audits completed by Wakefield Council Internal Audit.</p> <p>Julie explained 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 e.g., through system developments so the action is not yet marked complete.</p> <p><b>Resolved</b> – (1) That the Audit &amp; Governance Sub-Committee note the progress on completing Internal Audit actions.</p>
<p><b>11.</b></p>	<p><b>EXTERNAL AUDIT COMPLETION REPORT</b></p>
	<p>Jordan Townend and Shaun Mullins (Mazars) shared the External Audit completion report. Shaun introduced himself to the committee.</p> <p>Jordan talked through the key headlines of the report. It was noted there is still work to be done on accounting for the local government pension scheme surplus.</p> <p>A discussion was held around the format of the YPO Accounts. As the external audit is a voluntary one, we can amend the information that is published in the accounts. Neil Warren noted his agreement with this proposal, and it is also around ease of understanding.</p> <p>Jordan noted the YPO team have worked hard to review the IT access concerns raised previously, and steps have been taken around the process for asset disposal to ensure the finance team are made aware.</p> <p>Jordan talked through the adjustments.</p> <p><b>Resolved</b> – (1) That the report be noted.</p>

<b>12.</b>	<b>AUDITED STATEMENT OF ACCOUNTS</b>
	<p>Consideration was given to the report of the Head of Finance which provided Members with the details of the Audited Statement of Accounts for 2022.</p> <p>Julie Hawley (Executive Director) talked through the report and accounts.</p> <p>Julie noted that we achieved our targets for 2022.</p> <p>A discussion was held around the format of the published accounts. Simon Hill noted that this is a voluntary audit, the strong recommendation to continue to have an external audit still remains, we are just proposing an amend to the format.</p> <p><b>Resolved</b> – (1) That the outstanding matters, and likely nil impact when resolved, are noted and the audited Statement of Accounts still be approved for signing for 2022.</p> <p>(2) For any changes made to the audited accounts following this meeting and due to be presented for signing at the Management Committee to be circulated to the Audit and Governance Committee prior to the Management Committee on the 21<sup>st</sup> July 2023.</p> <p>(3) That the proposed changes in reporting formats from 2023 are noted and approved.</p>
<b>13.</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 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.</p>
<b>14.</b>	<b>ANNUAL ASSURANCE OPINION 2022</b>
	<p>Consideration was given to the report of the Service Manager for Internal Audit &amp; Risk (Wakefield Council) which provides Members with an update on the strength of YPO's governance, risk management, and control environment.</p> <p>Jason noted his apologies that not all audit work has been finalised. Meetings have been held with Julie Hawley and Simon Hill to discuss and resolve the outstanding issues.</p> <p>Jason talked through the table contained in the report.</p> <p>Jason noted that we have now put things in place to address the timing issues, and Wakefield and YPO are working together on this.</p> <p>Simon noted the timing issues were joint issues between YPO &amp; internal audit. We have learnt from this and have an agreed way forward.</p> <p>A discussion was held around the invoice system matching issues. Julie confirmed the issues are with a third-party system called Compleat rather than</p>

with NAV. Helen Lisle confirmed she has seen plans around these issues and has confidence the Executive and finance teams had the issues in hand, plus had relevant project support in place as soon as the issues arose.

Cllr Barnes confirmed he was also aware and has spoken to Simon on this.

Jason suggested it may be useful to add an agenda item to future FD Forum's around local authority debtors to address any debt issues sooner. Julie agreed this can be a challenge, but we are working on it.

A discussion was held around Health & Safety. Jacquie Lightfoot confirmed our new Health & Safety Manager started at YPO 4 weeks ago and is fitting in well.

It was noted we are currently in the process of introducing a system to support with rebate income. Helen noted it is important to recognise the dual role between customers and YPO on this.

Cllr Barnes asked if we are confident steps have been taken to ensure we are not in the same position next year in regard to audit timings?

Jason stated that bringing the indicative plan to the November meeting should definitely help with this. Internal audit has also introduced quarterly meetings with the YPO finance team and agreed to some blocked out times to complete the audits. Non-financial audits will be prioritised at the beginning of the year.

Jason explained that internal audit protocol has also been updated, to ensure that Julie Hawley is copied into all draft reports, and also Simon Hill is copied in where relevant.

A full report on the Annual Assurance Opinion will be provided to the 21<sup>st</sup> July 2023 Management Committee.

**Resolved** – (1) That the Internal Audit Opinion Report be noted.

**15. RISK MANAGEMENT UPDATE REPORT**

Julie Hawley (Executive Director Finance) shared the Risk Management Update report.

A Risk Workshop took place with Members in February, and then a subsequent internal risk workshop was held in March.

Julie noted that a demo on the new risk management system will be brought to the November Audit & Governance Sub Committee.

Jason Brook raised that the comments in this report provides a good level of assurance around cyber security, therefore could the risk status be review? Julie explained we are keeping cyber security as a very high currently due to us having a lot of system reviews/ changes. We want to ensure the appropriate controls remain in place.

Neil Warren said it would be useful to understand the timescales around bringing this risk down, and the actions around it.

	<p>It was agreed that further information on this will be brought to a future Audit &amp; Governance sub-committee.</p> <p><b>Resolved</b> – (1) That Members note the contents of the report and the ongoing improvements in risk management.</p>
<b>16.</b>	<b>TREASURY OUTTURN REPORT</b>
	<p>Neil Warren (S151 Officer) talked through the Treasury Management Progress report.</p> <p>Shaun Mullins asked if there is a members view around YPO's going concern? Simon explained the assurance would come through the management agreement for this.</p> <p>A discussion was held around interest rates. Neil explained this will be covered off in the report that is submitted to the November meeting.</p> <p>Simon shared that we have been in dialogue with FDs from the 13 member authorities around a revised dividend policy. A proposal on this is coming to the Management Committee on 21<sup>st</sup> July.</p> <p><b>Resolved</b> – (1) That Members note the positive assurances provided through this report in respect of treasury management for the period 1st January 2022 to 31st December 2022 in accordance with the agreed strategy.</p> <p>(2) Consider any potential amendments Members may wish to include in the Investment Strategy for 2024 (appendix 2).</p>
<b>17.</b>	<b>ENERGY UPDATE REPORT</b>
	<p>The Managing Director (Simon Hill) talked through the report which provides Members with an update on Energy.</p> <p>Simon shared the key headlines of the report, and the energy activities that have been taking place. Simon provided updates on the on-going issues and the new established working practices which are specifically designed to control the identified risks going forward.</p> <p>An independent report has been commissioned which will be shared with Members when it is available.</p> <p>Councillors asked a number of questions and were satisfied with the responses provided by Officers.</p> <p><b>Resolved</b> – (1) That Members note the content of the report.</p>
<b>18.</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 proposed to be held on 3<sup>rd</sup> November 2023, 10.30am.</p>

**YORKSHIRE PURCHASING ORGANISATION MANAGEMENT COMMITTEE**

**Friday 25<sup>th</sup> November 2022**

**Present:**

**Barnsley**  
Councillor Barnard

**City of Bradford**  
Councillor Thornton

**Bolton**  
Councillor Haslam

**Calderdale**  
Councillor Barnes

**Doncaster**  
Councillor Cole

**Kirklees**  
Councillor Turner

**North Yorkshire CC**  
Councillor White

**Rotherham MBC**  
Councillor Atkin

**Wakefield MDC**  
Councillor Shaw

**Wigan MBC**  
Councillor Walker

**City of York**  
Councillor Daubeney

<b>1:</b>	<b>Apologies for Absence</b>
	Apologies for absence submitted prior to the meeting were accepted on behalf of Jo Marshall (YPO), and Councillors Bond (St Helens), and Walsh (Knowsley).
<b>2:</b>	<b>Members Declaration of Interest</b>
	No declarations of interest were made.
<b>3:</b>	<b>Urgent Items</b>
	Councillor Shaw noted that an urgent item on Energy activity will be discussed at the end of the meeting.

<b>4:</b>	<b>Minutes of the Audit &amp; Governance Sub-Committee – 4<sup>th</sup> November 2022</b>
	<b>Resolved</b> – (1) That the Minutes of the meeting of the Audit & Governance Sub Committee held on 4 <sup>th</sup> November 2022 be accepted as a correct record, and the recommendations contained within the minutes are also agreed.
<b>5:</b>	<b>Minutes of the Management Committee – 22<sup>nd</sup> July 2022</b>
	<b>Resolved</b> – (1) That the Minutes of the meeting of the YPO Management Committee held on 22 <sup>nd</sup> July 2022 be accepted as a correct record.
<b>6:</b>	<b>Lead Authority Issues</b>
	No Lead Authority issues were raised, however Gillian Marshall noted that Wakefield Officers have comments on the urgent item.
<b>7:</b>	<b>Exclusion of the Public &amp; Press</b>
	<b>Resolved</b> - <i>That the public and press be excluded from the meeting during consideration of Agenda Items 8 to 11 on the grounds that they were likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended.</i>
	<b>IN PRIVATE:</b>
<b>8:</b>	<b>Business Update - (Exempt Paragraph 3)</b>
	<p>The Managing Director (Simon Hill) presented the Business Update which provided Members with an update on activities of the organisation since the last committee and provided an overview on forthcoming activities and challenges.</p> <p>Simon talked through the report which covers various areas of the business and a peak update.</p> <p>Simon provided an update on financials for the remainder of 2022.</p> <p>Councillors asked a number of questions and were satisfied with the responses from Officers.</p> <p>Cllr Shaw noted his thanks to the YPO team for the 2022 achievements.</p> <p><b>Resolved</b> – (1) That the report be noted.</p>
<b>9:</b>	<b>Food Transition Update – (Exempt Paragraph 3)</b>
	Members considered a report of the Managing Director providing an update to members on the status of the YPO Food Transition Project.

	<p>Simon talked through the headlines of the report and explained that the uptake from our local authority customers for the food framework option has been successful.</p> <p>Simon explained the process of stock balances and provided a staff update.</p> <p>Various questions were asked by Councillors and answers were provided by Officers.</p> <p><b>Resolved</b> - (1) That members note the content of the report.</p>
<b>10:</b>	<b>Business Plans and Budget – (Exempt Paragraph 3)</b>
	<p>Julie Hawley, Executive Director, presented the report which presents the 2023 operational profit and loss budget. It also highlights exceptional cost items to be incurred next year and throughout the strategy period around digital transformation.</p> <p>Councillors asked for some clarification around specific points, which Officers explained.</p> <p><b>Resolved</b> - (1) That the Committee agree the proposed budget for 2023.</p> <p>(2) That the Committee reviewed the exceptional items highlighted and the proposed funding of these.</p>
<b>11:</b>	<b>Report of Non-Executive Director – (Exempt Paragraph 3)</b>
	<p>Members gave consideration to a report of the Non-Executive Director which introduces Helen Lisle, the new Non-Executive Director, and provides an overview of the key handover points received from the outgoing Non-Executive Director, Jon Towler.</p> <p>Helen Lisle introduced herself and talked through the key headlines of the report and the main handover points.</p> <p>Councillors made various comments on the report.</p> <p>A discussion was held around the focus of YPO, and it was agreed that it would be beneficial to hold a separate session to have a debate on this topic.</p> <p><b>Resolved</b> - (1) That the report of the Non-Executive Director be noted.</p> <p>(2) It was agreed to hold a separate session towards the middle of 2023 to hold a wider debate on the focus for YPO going forward.</p>
	<b>Urgent Exceptional Item – Energy activity – (Exempt Paragraph 3)</b>
	Julie Hawley (Executive Director) talked through the tabled urgent report

	<p>around Energy activity and provided Members with background information on this.</p> <p>Julie provided a summary of the content of the internal fact-finding review.</p> <p>A further full report has also been submitted to Wakefield as the Lead Authority.</p> <p>The Lead Authority discussed the contents of the report and next steps with Members.</p> <p><b>Resolved</b> - Members resolved to:</p> <ul style="list-style-type: none"> <li>(1) Note the contents of the report and information given.</li> <li>(2) Delegate any actions arising from the report and issues covered in the subsequent discussion to the Chair, Vice-Chair, and Chair of A&amp;G in consultation with the Chief Executive of the Lead Authority, S151 Officer and Monitoring Officer.</li> </ul>
<p><b>12:</b></p>	<p><b>DATE AND TIME OF NEXT MEETING</b></p> <p><b>Resolved</b> – That the next meeting of the YPO Management Committee will be held on 21<sup>st</sup> July 2023, 10:30am.</p>

	<p><b>YPO</b></p> <p><b>MANAGEMENT COMMITTEE</b></p> <p><b>TO BE HELD ON</b></p> <p><b>21<sup>ST</sup> JULY 2023</b></p>
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**TITLE: MEMBERSHIP OF THE MANAGEMENT COMMITTEE OF THE YPO JOINT COMMITTEE 2023/24**

**REPORT OF: MANAGING DIRECTOR**

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**1. BACKGROUND INFORMATION**

1.1 To receive nominations from the Constituent Authorities in relation to membership of the Management Committee of the YPO Joint Committee for the 12-month period commencing July 2023.

1.2 Information has been received from all Authorities with regard to their representation on the Management Committee for 2023 into 2024, as follows:

<b>AUTHORITY</b>	<b>MAIN REPRESENTATIVE</b>	<b>SUBSTITUTE REPRESENTATIVE</b>
Barnsley MBC	Councillor Franklin	Councillor Barnard
Bradford MDC	Councillor Thornton	Councillor Salam
Bolton MBC	Councillor Fielding	Councillor Mort
Calderdale MBC	Councillor Barnes	Councillor Monteith
Doncaster MBC	Councillor Cole	Councillor Nightingale
Kirklees MBC	Councillor Turner	Councillor Davies
Knowsley MBC	Councillor Walsh	Councillor Aston
North Yorkshire CC	Councillor White	Councillor Thompson
Rotherham MBC	Councillor Atkin	Councillor Wyatt
St Helens MBC	Councillor Bond	Councillor Groucutt
Wakefield MDC	Councillor Speight	Councillor Nicholls
Wigan MBC	Councillor Walker	Councillor Rehman
City Of York	Councillor Merrett	Councillor Wilson

**2. RECOMMENDATION**

2.1 That Members note the content of the report.

**3 STRATEGIC IMPLICATIONS**

3.1 There are no specific Strategic Implications associated with this report.

#### **4 LEGAL IMPLICATIONS**

4.1 There are no specific Legal Implications associated with this report.

#### **5 FINANCIAL IMPLICATIONS**

5.1 There are no specific Financial Implications associated with this report.

#### **SERVICE DIRECTOR: SIMON HILL, MANAGING DIRECTOR**

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#### **CONTACT OFFICER: KAYLEY SYKES, BUSINESS SERVICES MANAGER**

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**YPO**  
**MANAGEMENT COMMITTEE**  
**TO BE HELD ON**  
**21<sup>ST</sup> JULY 2023**

**TITLE: APPOINTMENTS TO SUB-COMMITTEE AND JOINT CONSULTATIVE COMMITTEE 2023/24**

**REPORT OF: MANAGING DIRECTOR**

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**1. BACKGROUND INFORMATION**

- 1.1 To receive nominations from the Constituent Authorities in relation to membership of Sub-Committees and the Joint Consultative Committee and to determine the membership for those meetings for the 12-month period commencing July 2023.
- 1.2 The Audit & Governance Sub-Committee has a membership of eight members drawn from the Management Committee who meet a minimum of twice during the municipal year. Its 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.
- 1.3 The Joint Consultative Committee (JCC) is concerned with employee relations. The JCC has a different constitution to the Audit & Governance Sub-Committee as it includes representation from trade unions as well as councillors; whereas the membership of the Audit & Governance Sub-Committee is drawn only from those councillors who sit on the Management Committee.

**2 RECOMMENDATION**

- 2.1 That the Chair of the Management Committee requests nominations for the Audit & Governance Sub-Committee (eight members) and Joint Consultative Committee (five members) for the 12-month period commencing July 2023.

**3 STRATEGIC IMPLICATIONS**

- 3.1 There are no specific Strategic Implications associated with this report.

**4 LEGAL IMPLICATIONS**

- 4.1 There are no specific Legal Implications associated with this report.

## **5 FINANCIAL IMPLICATIONS**

5.1 There are no specific Financial Implications associated with this report.

### **SERVICE DIRECTOR: SIMON HILL, MANAGING DIRECTOR**

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### **CONTACT OFFICER: KAYLEY SYKES, BUSINESS SERVICES MANAGER**

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**YPO**  
**MANAGEMENT COMMITTEE**  
**TO BE HELD ON**  
**21<sup>ST</sup> JULY 2023**

**TITLE: TERMS OF REFERENCE & WORK PROGRAMME**

**REPORT OF: MANAGING DIRECTOR**

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## **1. BACKGROUND INFORMATION**

- 1.1. YPO's governance arrangements are defined in the Management Agreement, signed by all Members. The role of the Management Committee is to develop and monitor the strategic direction and performance of the organisation. The Management Committee is supported by the Audit & Governance Sub-Committee, and the Joint Consultative Committee (JCC).
- 1.2 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. The Joint Consultative Committee (JCC) is concerned with employee relations. The JCC has a different constitution to the Audit & Governance Sub-Committee as it includes representation from trade unions as well as councillors; whereas the membership of the Audit & Governance Sub-Committee is drawn only from those councillors who sit on the Management Committee.
- 1.3 The Management Committee, Audit & Governance Sub Committee, and JCC each meet a minimum of twice per annum.
- 1.4 Each member authority provides its representatives with access to Senior Officers from that council to provide advice and guidance to the councillor.
- 1.5 The Board of Directors (including the Non-Executive Director) provide assurances to the Management Committee and to the associated Sub-Committees that YPO has an effective and challenging strategy, and that the organisation is well placed to meet those challenges.

## **2 PRINCIPAL AGENDA ITEMS**

2.1 The proposed Principal Agenda Items for each Committee are attached in Appendix 1.

## **3 TERMS OF REFERENCE**

3.1 The Terms of Reference have been reviewed and are attached as Appendix 2 for approval.

## **4 MEETING SCHEDULE**

4.1 Appendix 3 provides a proposed schedule for meetings from August 2023 – July 2024.

## **5 RECOMMENDATIONS**

5.1 To agree the Principal Agenda Items for 2023/24.

5.2 To agree the Terms of Reference.

5.3 To agree the Meeting Schedule for 2023/24.

## **6 STRATEGIC IMPLICATIONS**

6.1 There are no specific Strategic Implications associated with this report.

## **7. LEGAL IMPLICATIONS**

7.1 The Monitoring Officer has been consulted in relation to this report.

## **8. FINANCIAL IMPLICATIONS**

8.1 There are no specific Financial Implications associated with this report.

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

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## **APPENDICES:**

*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 Indicative plan for 2024  
Internal Audit Progress Report  
External Audit Update  
Treasury Management Progress report  
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**

8 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</b> <i>Inc S151 / Monitoring Officer by invitation</i>	<b>Board Meeting</b> <i>Inc Non-Executive Director</i>	<b>Member Authority Finance Directors Forum*</b>	<b>Member Authority Chief Exec Forum*</b>	<b>Member Authority Procurement Forum*</b>	<b>Audit &amp; Governance Committee</b> <i>Inc Non-Executive Director</i>	<b>Joint Consultative Committee</b>	<b>Management Committee</b> <i>Inc Non-Executive Director</i>
<b>August</b>								
	01/8/23	22/8/23		30/8/23				
<b>September</b>								
	05/9/23	27/9/23						
<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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**REPORT TO  
MANAGEMENT COMMITTEE  
21ST JULY 2023**

**TITLE: ANNUAL HEAD OF INTERNAL AUDIT ASSURANCE OPINION (JANUARY TO DECEMBER 2022)**

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

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**1. PURPOSE OF REPORT**

- 1.1. To provide the 'Annual Head of Internal Audit Assurance Opinion' to the Management Committee on the effectiveness of Yorkshire Purchasing Organisation's (YPO) governance, risk management, and control processes.
- 1.2. To provide positive assurance on the ongoing conformance with Public Sector Internal Audit Standards (PSIAS).

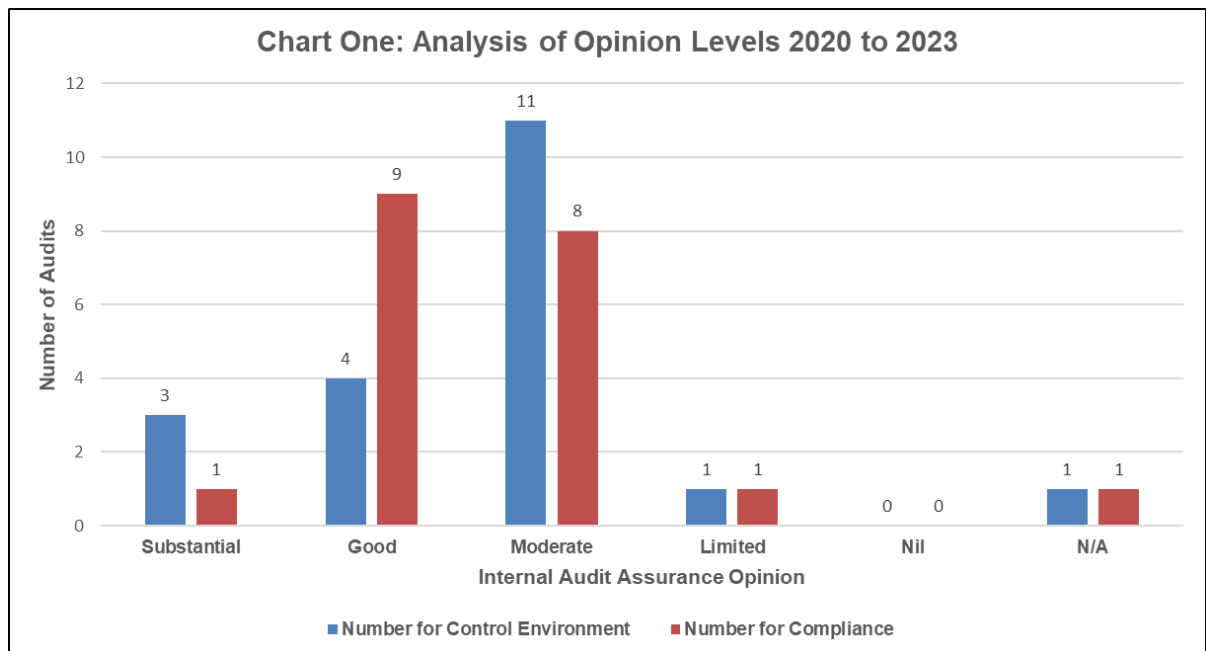
**2. BACKGROUND INFORMATION**

- 2.1 As lead authority, Wakefield Council provides the internal audit services for YPO under a Service Level Agreement. A rolling, three-year internal audit plan is in place and is refreshed annually.
- 2.2 The opinion factors in internal audit assurance work over the last three-year period (2020 to 2022), with the greatest weighting for the 2022 calendar year. This is because it is a more recent reflection on the strength of governance, risk management, and control processes.
- 2.3 As members will be aware the work of internal audit is required to conform to the mandatory requirements of the PSIAS. In relation to the provision of the annual assurance opinion this means that the report must include:
  - The actual annual internal audit assurance opinion which concludes on the organisation's framework of governance, risk management, and control (see Section 3 of this report).
  - A summary of the work that supports the opinion (see Section 4).
  - A statement on conformance with the PSIAS (see Section 5).

**3. Annual Internal Audit Assurance Opinion**

- 3.1 Reasonable assurance is provided that YPO has effective governance, risk management, and control processes.

3.2 This opinion is based upon the internal audit assurance opinions that have been provided for the control environment and/or compliance with established controls, see Chart One.



3.3 As demonstrated in Chart One, the majority (57.9%) of opinions on the strength of the control environment has been ‘moderate’ assurance, followed by ‘good’ assurance (21%). The same chart also confirms that the majority (47.4%) of opinions for compliance with established controls has been ‘good,’ followed by ‘moderate’ assurance (42.1%).

3.4 Given the national challenges faced over the last three years (Brexit, the Covid-pandemic, and inflationary pressures) the opinions are a positive reflection on YPO. The introduction of the new IT system, Navision, has also been a known challenge for YPO.

3.5 In analysing the findings over the last three years, with a focus on those in 2022, there were the following themes:

- Ongoing challenges with IT systems, this was a major factor in the ‘limited’ assurance opinions for the latest review on creditors. At the time of testing there was a significant number of invoices that were not being automatically matched to purchase orders and good received by the validation system, COMPLEAT. Encouragingly there have been some noticeable improvements since audit testing. For example, in February 2023 the auto matching rate was 35%, this had improved to 53% in early July 2023. The volume of unprocessed invoices had also reduced from 19K in March 2023 to 11K in early 2023. To reduce manual intervention, it will be important for this trajectory to continue in 2023.
- Resourcing pressures within areas of the business, this was evident within the Finance and Human Resources Teams. The Head of Finance has provided verbal assurances that these pressures have now been alleviated.
- The process for paying dividends to local authorities needed to be reviewed, with some local authority members having large debts whilst still receiving dividends. At the same time YPO was reliant on credit facilities from Wakefield Council to help meet cashflow requirements. It is positive to acknowledge that the Head of Finance has commenced meeting with each local authority Section 151 Officers to discuss these matters. Internal Audit

will be recommending that these meetings also incorporate a discussion on current debt levels.

- 3.6 Members of the Management Committee may be disappointed with the number of audits in 2022 with an opinion of ‘moderate’ assurance, which has increased from previous years. However, given the comments in paragraph 3.5 the SMIAR is confident that senior management at YPO have been proactive in strengthening controls.
- 3.7 It is because of this that the SMIAR has provided an overall ‘reasonable’ assurance opinion on YPO’s governance, risk management, and control environment.
- 3.8 The next section provides more detail on the findings from the individual audits undertaken in 2022.

#### 4. Basis of the Annual Internal Audit Opinion

- 4.1 The opinion is based upon the completion of audit work between 2020 and 2022, with greater focus on the work completed for 2022. Table One provides a snapshot of the different assurance opinions that have been provided over the last three years. Some advisory time was also included within the plan to function as a ‘critical friend’ to the new warehouse management system project.

**Table One: Summary of Internal Audit Work (2019 to 2021 Calendar Years)**

Audit	Control Opinion	Compliance Opinion
<b>2022 Calendar Year</b>		
Asset Management (Draft Report)	TBA	TBA
Business Planning	Moderate	Moderate
Creditors	Limited	Limited
Follow-Up of Debtors Audit from 2020	TBA	TBA
Health and Safety – Identification and Reporting on Near Misses	Moderate	Moderate
Rebate Income	Moderate	Moderate
Warehouse Management System (Consultancy)	No Material Issues	
<b>2021 Calendar Year</b>		
Budgetary Control	Moderate	Moderate
Contractual Break Clauses – Phase 1	Moderate	Good
Contractual Break Clauses – Phase 2	Moderate	Good
Health and Safety	Substantial	Moderate
Main Accounting System	Moderate	Moderate
Stock Control	Substantial	Good
<b>2020 Calendar Year</b>		
Adherence to Legislation, COVID-19	Substantial	Substantial
Business Continuity Management	Moderate	N/A
Customer Engagement	Good	Good
Data Quality	Good	Good
Debtors	Moderate	Moderate
ICT Disaster Recovery Arrangements	Moderate	Good
LINK Programme Lessons Learnt Actions	Moderate	Moderate
Payroll	Good	Good
Transport Logistics	Good	Good

- 4.2 The assurance opinions used by Internal Audit are defined in Table Two.

**Table Two: Current Internal Audit Opinion Definitions**

Opinion	Control Environment Opinion Definition	Compliance Opinion Definition
<b>Substantial</b>	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	The control environment has substantially operated as intended.
<b>Good</b>	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.	The control environment has largely operated as intended although some minor errors have been identified.
<b>Moderate</b>	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.	The control environment has mainly operated as intended although errors have been identified.
<b>Limited</b>	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.	The control environment has not operated as intended with significant errors identified.
<b>None</b>	There are fundamental control weaknesses that present unacceptable levels of risk to the organisation.	The control environment has fundamentally broken down and is open to significant error or abuse.

4.3 The rest of this section provides a summary of the key internal audit findings from 2022.

Asset Management

4.4 The objective of the review was to seek assurance that assets are being properly accounted for, secured, and managed effectively to help meet the strategic objectives of YPO.

4.5 As of 10 July 2023, testing has been completed for this audit review, but the report had not been finalised. The following comments and observations can be made:

- An annual asset verification exercise is undertaken by YPO.
- YPO uses two separate systems for recording assets, Assetrac (a resource planning system) and the Fixed Asset Register (FAR). At the time of testing there was no reconciliation process between these two systems. Finance staff advised that this is due to some of the assets on Assetrac being of low value and not meeting the capitalisation threshold. Further work would be required to identify these assets so that they can be excluded from any meaningful reconciliation.
- YPO has been undertaking a detailed data cleansing exercise to address some known issues.
- Sample testing by Internal Audit, of twenty assets from Assetrac, identified two vehicles that had not been added to the FAR.
- The FAR indicates that there have been no disposals in the last five years, this seems unusual and should be investigated.
- For the period being reviewed, the FAR indicated that there were seven acquisitions over the value of £5K (which require approval of the Managing Director). Sample testing was undertaken on five of these acquisitions and it was verified that required tender processes had been followed. In the remaining instance the auditor has been verbally advised by Finance that the procurement was with a sole supplier.
- Evidence of approval by the Managing Director was only retained in one instance. Given the low authorisation level (£5K), YPO may wish to review

the approval levels. Evidence of the authorisation process also needs to be retained.

4.6 Once this report has been finalised a further update will be provided to this Committee.

#### Business Planning

4.7 The objectives of this audit were to seek assurance that:

- There is an effective business planning framework in place which is underpinned by appropriate governance arrangements.
- The business planning assumptions are robust and underpinned by appropriate risk management arrangements.

4.8 The review also focussed on the business planning process for the 2022 calendar year.

4.9 Areas of good practice verified at the time of testing, included:

- Departmental heads had prepared and presented business plans with investment requests and budget proposals to the Senior Leadership Team.
- Final business plan papers were completed on schedule and presented to members of the Management Committee on 26 November 2022.
- Records of the monthly budget meetings verified that the deliverability of plans had been considered and remedial action taken where appropriate.

4.10 An opinion of 'moderate' assurance was provided as there were opportunities to enhance the control environment by:

- Continuing to explore how sufficient resource can be obtained to support, develop, and implement the 'People Strategy Project' workforce plan.
- The Management Committee should agree and sign-off all funding sources including loans and the impact of borrowing.
- The Board should review the funding outline and seek how the reserve may be strengthened from retained profits to mitigate dependence on loan facilities to maintain liquidity.

4.11 Since the conclusion of the audit, it has been verified that:

- A good structure and timetable have been put in place to help with the delivery of priority projects which underpin the business plan.
- (Verbal assurance) resourcing pressures are being alleviated, which will help with the delivery of the People Strategy.
- YPO is in the process of procuring a risk management system to help improve risk reporting. This is expected to go-live in Q4 of 2023.

#### Creditors

4.12 The overall objective for this audit was to seek assurance on the effectiveness of processes for raising accurate and timely purchase orders for goods and services and ensuring accurate and timely payments to the supplier.

4.13 The audit verified that sound arrangements are in place for the creation of suppliers into the creditor system and any amendments to key data (for example bank account and address details). YPO's Financial Procedure Rules also set out the approval levels for general ledger expense purchase orders. In addition, sample testing of twenty invoices verified that they had been appropriately accounted for and approved.

4.14 An opinion of limited assurance was provided as, at the time of internal audit testing:

- Due to issues with the automation of the IT system (impacting on the ability to invoice match, approve, and pay) there has been a high volume of unprocessed invoices. YPO has had to make several payments on suppliers' statement of accounts, resulting in material debit balances in certain accounts that needed to be investigated and resolved.
- There was no evidence of regular checking or reporting on the completeness and accuracy of interface data flow between core systems, 'add\*ONE' (for stock management) and Navision and COMPLEAT (used to validate and pay invoices).
- Analysis of data at the time of audit indicated delays in the payment of invoices including:
  - 244 that were paid between 211 and 240 days of the invoice date.
  - 98 that were paid between 151 and 270 days of the invoice date.
  - 67 that were paid between 271 and 300 days of the invoice date.
  - 18 that were paid 301 or more days after the invoice date.
- There were some staff resourcing issues within the Accounts Payable Team, and the Head of Finance needs to continue working with Human Resources to help alleviate any pressures.

4.15 Since the audit, the SMIAR has met with the Head of Finance and is able to provide positive assurance in progress that is being made in addressing the areas stated in paragraph 4.14. An example of this is that this month 53% of invoices are now being auto matched, an improvement from the 35% levels in February 2023. Clearly further progress is needed to minimise manual intervention in the process and having to create. The volume of unprocessed invoices had also reduced from 19K in March 2023 to 11K at the beginning of July.

4.16 Verbal assurance has also been received from the Head of Finance that sufficient resources are in place to continue with these improvements. Clearly further work is required to continue with this progress and help to enhance the control environment and mitigate the risks associated with late payment to creditors.

#### Follow-Up of High Priority Recommendation (Debtors Audit 2020)

4.17 The focus of this review was the on the implementation of recommendations from the 2020 review of debtors. For that audit the following high priority (two) and medium priority (five) recommendations were agreed:

- All amounts owed by direct debit customers above their regular direct debit amount paid should be established and then recovered by YPO via the use of their written debt collection procedures (High Priority).
- The Accounts Receivables Team should make a conscious effort to significantly reduce its arrears with any high balance Local Authority customers (High Priority).
- A secondary officer should check and then approve any manual sales orders that are produced to ensure that the order is accurate (Medium Priority).
- A review of the aged receivable analysis should be undertaken weekly to ensure that customers with significant arrears are being regularly monitored (Medium Priority).
- YPO should update their Debt Collection procedure to refer to the role played by the Collect / Allocate accounting systems (Medium Priority).
- The Accounts Receivable Team should attempt to remove all monies received aged over 12 months from their suspense account (Medium Priority).
- The Bad Debt provision for 2020 should be calculated by the Head of Finance (Medium Priority).

- 4.18 Due to resourcing issues at YPO and within Internal Audit there were difficulties in agreeing a start date. At the time of reporting, testing has commenced and the SMIAR has received verbal assurance from the internal auditor that good progress has been made on implementing the recommendations.
- 4.19 A recommendation will be made that in the current meetings the Head of Finance has with local authority Section 151 officers, there should be a discussion on debt levels with that authority.

Health and Safety – Identification and Reporting on Near Misses

- 4.20 Over the last four years there have been audits on health and safety, each time with a different focus. In 2022 that focus was on near misses.
- 4.21 The Health and Safety Executive (HSE) recognises that near misses can provide valuable insight into how well an organisation is managing health and safety risk. To provide an objective opinion, Internal Audit used the HSE 'Plan, Do, Check, and Act' approach and focussed on the following areas:
- **Recording** of near misses (completeness and accuracy).
  - **Analysis** of near miss data (trend analysis and lessons learnt).
  - **Action** from near misses to **prevent** recurrence.
  - **Reporting** of performance to ensure effective governance arrangements.
  - **Compliance** with relevant legislation and good practice.
- 4.22 An opinion of moderate assurance was provided for both the strength of the control environment and compliance with actual controls. Some areas of good practice were noted, including:
- A dedicated Health and Safety Manager to function as the 'competent person' for YPO, a new manager started in June 2023.
  - The Accidents and Incidents Reporting Policy, which is based on good practice and has been recently reviewed (July 2022). This supplements the overall Health and Safety Policy.
  - The role of the Health and Safety Committee, which includes Trade Union representation, in monitoring arrangements.
  - The training of staff, with an initial focus on supervisors to remind them of their roles and responsibilities. It was verified that the training included requirements on the reporting of near misses.
  - YPO is ISO45001 accredited in Health and Safety (the current accreditation is for the period September 2022 until September 2025).
  - Sample checks by Internal Audit verified that 'Reporting of Injuries, Diseases and Dangerous Occurrences Regulations' (RIDDOR) was satisfactory, and that reporting met legal requirements.
- 4.23 Controls and compliance would be further strengthened by focusing on the following areas:
- Separating out, and analysing, data on near misses. At present this is collated with information on all health and safety incidents making it more difficult to identify trends.
  - To rollout health and safety training across the remaining workforce.
  - As recommended by the HSE to require people receiving training to positively assert whether they understand their roles and responsibilities with regards to health and safety.

- For future updates to the Health and Safety Committee, currently delivered in presentational format, to include either a cover report or more narrative to draw out what the information is indicating.
- To consider appointing further health and safety representatives / champions across the organisation.
- To review the frequency of how often risk assessments should be reviewed. The existing Risk Assessment Policy indicates this should be each year, the previous Health and Safety Manager suggested that the requirement should be relaxed to every three years (which would be more consistent with existing practice).

Rebate Income

4.24 Rebate income is due to YPO when a customer enters a contract with a supplier via a framework or 'Dynamic Purchasing System' for goods or services that YPO does not directly provide. The agreement stipulates the requirements of the supplier in relation to providing expenditure data to YPO, which then determines the rebate income value.

4.25 As detailed in the table below the amount of income generated is significant (the values are to the nearest £100K).

Description	2019	2020	2021	2022
Rebate Income Target <sup>1</sup>	£6,000,000	£6,400,000	£6,400,000	£6,800,000
Actual Income	£5,800,000	£5,000,000	£5,900,000	£5,400,000
Variance	-£200,000	-£1,400,000	-£500,000	-£1,400,000
% Rebate Income	96.7%	78.1%	92.2%	79.4%

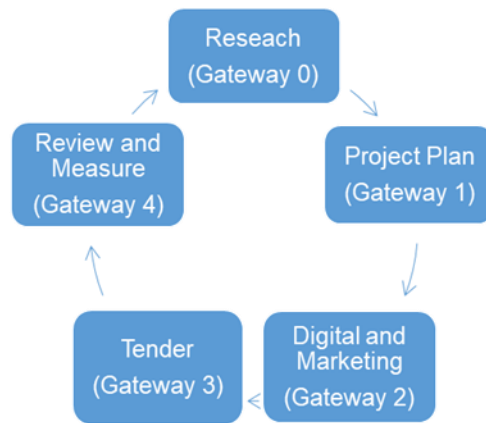
4.26 The objectives of the audit were to seek assurance that:

- There are adequate arrangements for identifying and reporting on actual rebate income v target.
- There are effective processes for reviewing and renewing existing frameworks.
- The processes for dealing with incoming supplier expenditure are robust.

4.27 The audit verified that there were sound processes in place for the identification and raising of purchase orders to collect rebate income. An error was identified between the source data and the information collected by the reporting tool (PowerBI). This related to the income being miscoded to a wrong category (logged as Facilities Management but should have been Corporate and Financial Services), so there was no overall impact.

4.28 Regarding the second objective the auditor verified that, prior to the Covid-pandemic, YPO was in the process of establishing a 'Gateway Approach' to procurement activity, best illustrated by the following chart (overleaf).

<sup>1</sup> To the nearest £100,000



- 4.29 Prior to lockdown the first two gateways had been rolled out and, based on sample testing of twenty framework agreements, the following was verified:
- In six instances there was documentary evidence to support the completion of Gateway 0 (research) being completed.
  - In all instances there was a Tender Plan, although six had no evidence as to who had approved them.
  - In all instances the framework was correctly advertised (on the Due North Portal).
  - In all applicable instances (fourteen) an invoice had been raised.
  - In three instances an authorised officer had approved the agreement. In the remaining seventeen instances no evidence was available to verify who the authorising officer was.

4.30 YPO will be progressing the gateway process in 2023.

Warehouse Management System – Advisory / Consultancy Work

4.31 The Managing Director for YPO asked Internal Audit to function as a critical friend on the Warehouse Management System (WMS) Project. The scope of this role is to ensure that appropriate governance arrangements are in place for the project.

4.32 At the time of reporting positive assurance can be provided that the requirements for the system have been identified and documented. Discussions have also been held with external IT suppliers to help inform an options appraisal.

4.33 It should also be noted that the current in-house WMS is due to be moved to a new platform (SQL), along with some new enhancements, by October 2023. Once this is completed it will enable a full options appraisal, assessing the relevant risks and opportunities (benefits) to be undertaken. It is anticipated that Internal Audit will re-engage with the project when this options appraisal is being undertaken.

Internal Audit Performance

4.34 There are two main performance measures, and these were reported to the Audit and Governance Sub-Committee on 7 July 2023. These are:

- The full delivery of the internal audit plan.
- Client satisfaction, which is based upon the outcome of a survey issued at the end of each audit.

4.35 As evident in this report the plan has not been fully delivered, with a delay in finalising the asset management review and difficulties in commencing the follow-up of the debtor’s audit.

- 4.36 As commented in last year's report the move towards hybrid ways of working has proved to be a challenge. This issue has been discussed with the Head of Finance and it has been agreed to try a different approach to delivering audits for 2023 (the use of agreed blocks of time to meet agreed contacts, establish processes, and complete testing). The outcome of this will be reported in the next annual assurance report.
- 4.37 If possible, it will also be helpful for annual plans to be agreed earlier in the calendar year so that audit testing can begin sooner. An indicative plan will be submitted to the Committee meetings in November 2023.
- 4.38 The Internal Audit Plan for 2022 was based upon 125 chargeable days, and at the time of reporting 156 audit days had been coded to YPO work. The additional 6 days have not been charged for.
- 4.39 Client Satisfaction Questionnaires (CSQs) are a crucial element of our performance management responsibilities, helping to identify potential training needs and opportunities for improvement. Each CSQ asks for the client's feedback on a range of issues and are scored on a range of 1 (poor) to 4 (very good). The target is to average at least 3 (good) for each of the question areas.
- 4.40 No CSQs have been returned in the last three calendar years. It is therefore recommended that the Management Committee encourage officers at YPO to submit their completed CSQs, which will help inform any lessons to learn going forward.

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

- 5.1 The PSIAS require that 'the chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity (Standard 1300) and communicate 'the results of the quality assurance and improvement programme to senior management and the board' (Standard 1320). For the purposes of the PSIAS the role of the 'board' is fulfilled by the Audit and Governance Sub-Committee.
- 5.2 The purpose of these requirements is to ensure that quality is embedded in the internal audit activity and all its operations. It also promotes continuous improvement of the internal audit activity. Taken as a whole, this provides a foundation upon which senior management and the board can rely upon the work of internal audit.
- 5.3 There are the following three elements to the quality assurance and improvement programme:
- On-going quality assurance, which includes supervision of staff and performance monitoring.
  - Periodic internal assessments, usually undertaken on an annual basis.
  - External quality assessments, which must be undertaken at least once every five years.
- 5.4 Positive assurance is provided that these arrangements are in place and operating effectively at Wakefield Council. As reported to this Committee in 2022 an external quality assessment by the Chartered Institute of Internal Auditors provided an opinion of '**generally conforms**' which is the highest rating.

- 5.5 Two recommendations were made on developing an assurance mapping process (for Wakefield Council work) and to enhance the process for monitoring the implementation of internal audit recommendations.
- 5.6 Positive assurance is provided that the recommendation on monitoring the implementation of previous internal audit recommendations has been implemented. Time has been included in the draft Internal Audit Plan for 2023, and the results will be reported to this Committee.

## **6. STRATEGIC IMPLICATIONS**

- 6.1 The annual plans are risk-based and include links to YPO priorities and strategic risks. Therefore, the annual assurance opinion subsequently reflects on adequacy of governance, risk management and control arrangements associated with the YPO Business Plan, Strategic Plan, and the Strategic Risk Register.

## **7. FINANCIAL IMPLICATIONS**

- 7.1 The annual cost for the provision of Internal Audit for 2022 was £46,703.
- 7.2 The Plan also factors in the need to provide the Section 151 Officer (Chief Finance Officer for Wakefield Council) with independent assurance of the effectiveness and efficiency of controls for the main financial systems.

## **8. LEGAL IMPLICATIONS**

- 8.1 All local authorities are required to have an effective internal audit process (Local Government Act 1972 and the Accounts and Audit Regulations 1996). As a Joint Committee YPO has determined that it will receive internal audit services through the lead member, Wakefield Council.
- 8.2 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 effectiveness of governance, risk management, and control environment within YPO.
- 8.3 The annual head of internal audit assurance opinion is reported to the Directors of YPO, the Audit and Governance Sub-Committee, and this Committee.

## **9. EQUALITY IMPLICATIONS**

- 9.1 There are no direct equality implications, although as a risk-based plan some individuals audits may have links to equality requirements.

## **10. RISK IMPLICATIONS**

- 10.1 In line with the Public Sector Internal Audit Standards there is a requirement to set a risk-based audit plan. As already detailed, the Plan considered several core

documents, including the Strategic Risk Register. In addition, input has been sought from senior management to help identify new and emerging areas of risk.

## **11. RECOMMENDATIONS**

11.1 That the Management Committee:

- Receives and notes the internal audit annual assurance opinion.
- Notes the continued conformance to the Public Sector Internal Audit Standards.
- Encourages the completion of client satisfaction questionnaires by officers at YPO following the completion of internal audit work. This will help in the continual improvement of the Internal Audit Team, and thereby add value to the organisation.

### **Contact Officer:**

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**YPO**  
**MANAGEMENT COMMITTEE**  
**TO BE HELD ON**  
**21<sup>ST</sup> JULY 2023**

**TITLE: ANNUAL REPORT**

**REPORT OF: MANAGING DIRECTOR**

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## **1. BACKGROUND**

- 1.1 To provide an Annual Report by the Managing Director to the Members of the Management Committee, as required by the YPO Management Agreement. The report will be circulated electronically.
- 1.2 The report is written in the spirit of accountability and transparency, but also pride in our achievements on behalf of our members. It is intended to circulate the Annual Report to Leaders, Chief Executives, and Finance Directors of member authorities and also to use it more widely as marketing and promotional material.

## **2. RECOMMENDATIONS**

- 2.1 That Members note the content of the report.

## **3 STRATEGIC IMPLICATIONS**

- 3.1 There are no specific Strategic Implications associated with this report.

## **4 LEGAL IMPLICATIONS**

- 4.1 There are no specific Legal Implications associated with this report.

## **5 FINANCIAL IMPLICATIONS**

- 5.1 There are no specific Financial Implications associated with this report.

**SERVICE DIRECTOR: SIMON HILL, MANAGING DIRECTOR**

YPO

41 Industrial Park  
Wakefield WF2 0XE

E-mail address: [simon.hill@ypo.co.uk](mailto:simon.hill@ypo.co.uk)

**APPENDIX:**

*Appendix 1 – Published Annual Report (To follow - to be circulated electronically)*

Exempt Information by virtue of paragraph(s) 3  
of Part 1 of Schedule 12A of the Local Government Act 1972.

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