

Your Ref.

Our Ref

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Date 31 October 2024

Tony Reeves - 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 & GOVERNANCE SUB-COMMITTEE – FRIDAY, 8 NOVEMBER 2024

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, 8 November 2024 in the YPO Headquarters** to consider the items set out in the agenda attached.

Yours sincerely



Tony Reeves
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, 8 November 2024

AGENDA

1. Chair's Introduction and Welcome.
2. Acceptance of Apologies for Absence.
3. Members' Declaration of Interest.
4. Election of Chair of the Audit & Governance Sub Committee for the Municipal Year 2024/ 2025.
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 Meeting of the Audit & Scrutiny Sub-Committee held on 5 July 2024. (Pages 1 - 6)
7. YPO Governance Group Update Report. (Pages 7 - 9)
8. Audit & Governance Sub-Committee Terms of Reference. (Pages 11 - 21)
9. External Audit Update. (Pages 23 - 57)
10. Internal Audit Progress Update. (Pages 59 - 61)
11. Draft Internal Audit Plan 2025. (Pages 63 - 78)
12. Internal Audit - Verbal update to Members.
13. Exclusion of the Public and Press

In relation to reports below 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 14 – 18 on the grounds that it is likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended”.

IN PRIVATE

14. Risk Register, Bribery & Fraud Update. (Pages 79 - 83)
15. Environmental Dashboard. (Pages 85 - 86)
16. Health & Safety Update. (Pages 87 - 93)
17. Year End Closedown Timetable. (Pages 95 - 97)
18. Treasury Management Progress Report. (Pages 99 - 112)
19. Date of next meeting - 4 July 2025.

YORKSHIRE PURCHASING ORGANISATION

AUDIT & GOVERNANCE SUB-COMMITTEE

FRIDAY, 19TH JULY 2024

Present: Councillors: Turner (Kirklees), Frost (Barnsley), White (North Yorkshire), Merrett (York).

1.	ELECTION OF A TEMPORARY CHAIR
	Nominations were requested for a temporary Chair of the Audit & Governance Sub Committee.
	Resolved: (1) It was seconded and agreed by all for Councillor Turner (Kirklees) to be elected as the meeting Chair.
2.	CHAIR'S INTRODUCTION & WELCOME
	Introductions took place.
3.	ACCEPTANCE OF APOLOGIES FOR ABSENCE
	No apologies for absence were received prior to the meeting.
4.	MEMBERS DECLARATION OF INTEREST
	No declarations of interest were made.
5.	URGENT ITEMS
	No urgent items were raised.
6.	PREVIOUS AUDIT & GOVERNANCE SUB COMMITTEE MINUTES
	Resolved – (1) The minutes of the YPO Audit & Governance Sub-Committee held on 3 rd November 2023 were approved by all.
	Simon Hill explained that the energy trading report has been uploaded to the members website. This will be discussed further with Members in the informal business update session in September.
7.	AUDIT & GOVERNANCE SUB COMMITTEE TERMS OF REFERENCE & WORK PROGRAMME 2024-2025
	Consideration was given to the report of the Managing Director which provided members with an overview of the work scheduled for the 2024/25 committee cycle.
	The report also proposed the Terms of Reference, Principal Agenda Items, and 2024/25 Meeting Schedule.
	It was noted that since YPO established the Audit & Governance Sub-Committee in its current form in 2022, CIPFA have published a new position

	statement on Audit Committees in Local Authorities. In the second half of 2024 we propose to further review the sub-committee's terms of reference and work programme against the CIPFA position statement, to identify current good practice and any changes needed to further enhance the sub-committee's contribution to good governance. A report on this will be brought back to the Audit & Governance Sub-Committee meeting in November 2024. Resolved – (1) That the report be noted and submitted to the Management Committee for sign off by all Members.
8.	LOCAL CODE OF GOVERNANCE & ANNUAL GOVERNANCE STATEMENT 2023 The Managing Director (Simon Hill) talked through the report. This is an annual report that sets out YPO's compliance with the requirements of the Accounts & Audit Regulations 2015 and CIPFA / SOLACE Delivering Good Governance in Local Government: Framework (2016) which has three key steps: ▪ Publish a Local Code of Governance that sets out how YPO delivers the principles of the 2016 Framework (Appendix 1). ▪ Conduct an annual review of the effectiveness of our governance arrangements in practice. ▪ Report the results of the annual review in an Annual Governance Statement and publish it with the Statement of Accounts (Appendix 2). Resolved - (1) The Audit & Governance Sub-Committee agree the updated Local Code of Governance and the draft Annual Governance Statement 2023.
9.	RISK MANAGEMENT FRAMEWORK Julie Hawley (Executive Director) talked through the Risk Management Framework Report and shared that the Risk Management system is now live, and risks are now managed live on the system at the YPO Board meetings as well as at all levels across the business. Councillor Merrett asked what we are doing now compared to previously? Julie explained that each operational area is now responsible for their own risk registers and they are reviewed on a much more regular basis. Resolved – (1) That the Audit & Governance Sub-Committee note progress on implementation of the new RM system and the wider benefits it has delivered to risk management across YPO. (2) That the Audit & Governance Sub-Committee note that the Risk Management Strategy & Framework has been reviewed and no changes are proposed at this time, with the exception of an update by the YPO Board to their Statement of Risk Appetite. (3) That the Audit & Governance Sub-Committee note the updated Statement of Risk Appetite.

10.	PAY POLICY & LOCAL LIVING WAGE
	Simon Hill (Managing Director) shared the Pay Policy and Local Living Wage report. The purpose of this report is to ask Audit and Governance Sub-Committee to note and discuss the changes to YPO's Pay Policy for Apprentices and the Local Living Wage, prior to formal ratification at full Management Committee. Resolved – (1) That the Audit and Governance Sub-Committee note and ratify these changes prior to this paper progressing to full Management Committee for formal ratification.
11.	POLICIES & PROCEDURES REVIEW
	Consideration was given to a report of the Head of Finance entitled Policies & Procedures Review. Resolved - (1) That Members note the contents of the table at appendix 1.
12.	EXTERNAL AUDIT COMPLETION REPORT
	Jordan Townend and Shaun Mullins (Mazars) shared the External Audit completion report. Jordan talked through the key headlines of the report and addressed the going concern, and the valuation of the building. Jordan talked through the table in the report that addresses the key audit items. Jordan noted Mazars appreciation for the work undertaken, and the positive relationship with the YPO finance team. Simon Hill noted that this is a non-statutory audit of the accounts, but we feel it is right we do this for assurance for our members. However, this gives us the flexibility for the changes to the way in which the accounts are presented. Resolved – (1) That the report be noted.
13.	AUDITED STATEMENT OF ACCOUNTS
	Consideration was given to the report of the Head of Finance which provided Members with the details of the Audited Statement of Accounts for 2023. Julie Hawley (Executive Director) talked through the report and accounts. Councillor Turner noted the profit of £8M is a huge achievement and noted his thanks to all YPO staff for their efforts in achieving this result. Councillor Merrett asked for further information on the non-recurring items. Julie Hawley explained this relates to the digital transformation investments. Simon Hill noted we are now seeing the results of the investment flowing through. Resolved – (1) That the outstanding audit matters, and nil impact when resolved, are noted.

	(2) That the Committee review and approve the accounts to be signed by the Chairperson and Chief Finance Officer at WMDC following the meeting.
14.	ASSURANCE REPORT – CLIMATE CHANGE, BIODIVERSITY, AND ENVIRONMENTAL SUSTAINABILITY
	This report arises from a request by the Audit & Governance Sub-Committee to follow up potential areas of risk identified in a report from Wakefield's Service Manager for Internal Audit & Risk, to the Sub-Committee in November 2023. In the absence of specialist audit assurance work from IA, at the request of the Audit & Governance Sub-Committee, this report sets out what other arrangements YPO has in place to provide assurance that climate change, biodiversity and environmental sustainability risks are being identified, assessed, and mitigated effectively and considers: • ISO 14001 – Environmental Management accreditation (including Aspects & Impacts, Legislative Obligations and Risk & Opportunities Registers). • Activity across the Social Value and Sustainability Department (including working groups). • External Support. • Risk Management at YPO. Councillor Merrett asked when the environmental dashboard will be available. Julie Hawley stated this is currently available in a spreadsheet format. It was agreed to bring this spreadsheet to the next meeting. Resolved – (1) That the Audit & Governance Sub-Committee note the arrangements in place to identify, assess and mitigate climate change, biodiversity and environmental sustainability risk. (2) That the Audit & Governance Sub-Committee note the arrangements in place to seek assurance from independent third parties that climate change, biodiversity and environmental sustainability risk is being managed effectively. (3) That the Environmental dashboard spreadsheet be brought back to the next Audit & Governance Sub-Committee.
15.	EXCLUSION OF THE PUBLIC AND PRESS
	Resolved – That the public and press be excluded from the meeting during consideration of agenda items 16 - 22 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.
16.	ASSURANCE REPORT – DIGITISATION
	This report arises from a request by the Audit & Governance Sub-Committee to follow up potential areas of risk identified in a report from Wakefield's Service Manager for Internal Audit & Risk, to the Sub-Committee in November 2023. In the absence of specialist audit assurance work from IA, at the request of the Audit & Governance Sub-Committee, this report sets out what other

	arrangements YPO has in place to provide assurance that information security risks are being identified, assessed, and mitigated effectively to minimise digital disruption, and considers: • YPO risk management arrangements • Cyber (information security) insurance cover • ISO27001 Information Security Management System (ISMS) accreditation Councillors asked various questions on the report, and explanations were provided by Officers. Resolved – (1) That the Audit & Governance Sub-Committee note the arrangements in place to identify, assess and mitigate information security risk and the potential for digital disruption that might arise from it. (2) That the Audit & Governance Sub-Committee note the arrangements in place to seek assurance from independent third parties that information security risk is being managed effectively.
17.	INTERNAL AUDIT ACTION UPDATE
	The Head of Finance (Matthew Hirst) 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. Matthew explained that we have dedicated time planned in with internal audit and we are confident all actions will be complete by the end of this year. Resolved – (1) That the Audit & Governance Sub-Committee note the progress on completing Internal Audit actions.
18.	ANNUAL ASSURANCE OPINION 2023
	Consideration was given to the report of the Service Manager for Internal Audit & Risk (Wakefield Council) which provides Members with an update on the strength of YPO's governance, risk management, and control environment. Jason Brook talked through the table contained within the report, and shared there is a good working relationship with the finance team at YPO. Resolved – (1) That the Internal Audit Opinion Report be noted.
19.	STRATEGIC RISK REGISTER
	Matthew Hirst (Head of Finance) talked through the Strategic Risk Register Report. Caroline Carter (S151 Officer – Wakefield) suggested that YPO may wish to include a target for risks going forward, so risks can be tracked against target levels. Matthew agreed and explained we are continuously looking at the system and improvements we can make on its usage. Resolved – (1) That the Audit & Governance Sub-Committee note this report

	and the 'Strategic Risk Score Comparison' report and identify any questions they wish to raise with risk owners (YPO Board). (2) That the Audit & Governance Sub-committee identify any further RM system reports that may be useful for them in performing their oversight role. (3) It was agreed to implement risk targets going forward.
20.	WMS/ SQL UPDATE
	The Executive Director – Operations (Jacquie Lightfoot) talked through the WMS / SQL update report and shared the status of the project. Jacquie talked through the risk implications table at appendix 1 and the timescales around this. Resolved – (1) That the committee agree to the recommendation to continue with the implementation date as planned.
21.	FRAUD PREVENTION MEASURES UPDATE
	Consideration was given to the report of the Managing Director, which shares the fraud prevention measures in place at YPO. Matthew Hirst (Head of Finance) shared the report and the headlines around the key pieces of work to continually improve the fraud prevention measures at YPO. Resolved – (1) That the Audit & Governance Sub-Committee note the measures in place across YPO to minimise the risk of fraud and to manage fraud discovery, investigation and reporting.
22.	TREASURY OUTTURN REPORT
	Caroline Carter (S151 Officer) talked through the Treasury Management Progress report. Resolved – (1) That Members note the positive assurances provided through this report in respect of treasury management for the period 1st January 2023 to 31st December 2023 in accordance with the agreed strategy. (2) That Members consider any potential amendments Members may wish to include in the Investment Strategy for 2025 (appendix 2).
23.	DATE AND TIME OF NEXT MEETING
	Resolved – (1) That the next meeting of the YPO Audit & Governance Sub Committee is to be held on 8th November 2024, 10.30am.

	YPO AUDIT & GOVERNANCE SUB-COMMITTEE TO BE HELD ON 8TH NOVEMBER 2024
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TITLE: GOVERNANCE GROUP REPORT JULY 2023 – OCTOBER 2024

REPORT OF: MANAGING DIRECTOR

1. BACKGROUND INFORMATION

- 1.1 In July 2023 Audit & Governance Sub-Committee recommended that YPO establish an officer group to provide greater assurance, to both those charged with governance and those charged with oversight, that effective governance is in place at YPO. The Governance Group was set up shortly afterwards and is now chaired by the Managing Director. In the Annual Governance Statement 2023, which members saw in July 2024, further details of the group's role and purpose were included along with a commitment to further improvements. This report now summarises the group's work over the last 15 months and where we hope to add value in 2025.
- 1.2 The governance group meets monthly and key standing agenda items include:
 - Policy review. The group is responsible for completing an initial review of all new and updated policies. A protocol is in place to determine whether the group can approve a policy or whether it needs to be directed to another body for further approval (for example pay and other employee related policies are reviewed by Joint Consultative Committee; new or unusual policies are referred to Management Committee; Health & Safety related policies are referred to H&S Committee etc). The purpose of the governance group being the first point of clearance is to raise awareness and help to standardise policies and good practice in policy development and writing.
 - A number of policies reviewed in the last 12 months relate to new information security policies that are essential for our preparation for ISO 27001 accreditation in 2025.
 - From October 2024 all policies will be managed via MetaCompliance, a system that allows us to track who has read which policies, and managers to follow up gaps etc to ensure we have an accurate record of distribution and understanding of policy contents.
 - A key area of work is the development of a digital constitution for YPO that will bring together into one place all of our key governance documents such as the Management Agreement; Scheme of Delegation; Terms of Reference for member committees and officer fora; Standing Orders for Contracts; Financial Procedure Rules etc. We have drawn guidance from our Founder Member Authorities (FMA) constitutions.
 - To support the above, the group is reviewing terms of reference for governance groups. Members will note a separate report to this meeting with a new draft Terms of Reference for Audit & Governance Sub-Committee. We have also rolled out Terms of Reference for the Legal Officers Forum that brings together representatives from all FMAs.
 - YPO Board report templates: these have been revised and now include consideration

of implications for sustainability, equality, diversity and inclusion (in addition to existing sections for financial, legal and risk implications).

- Improved arrangements for engagement with key stakeholders in internal audit work including Internal Auditors and YPO audit clients to help with audit planning, visits and access to people, systems and documents.
- Oversight of Business Continuity Management (we are currently finalising development and testing of new plans) and links into Information Security Incident Management.

1.3 In 2025 work will continue on the digital constitution and terms of reference for other groups. The governance group is also looking to add the following tasks to its work programme:

- To enhance our employee code of conduct and anti-bribery framework by developing a Code of Ethics.
- Review of transparency. This includes the information we publish to meet FOI Act 2000 requirements including an Access to Information Policy and a Guide to Information, as well our compliance with the Local Government Transparency Code 2015 which requires us to publish procurement information, financial transactions, senior salaries and organisation chart and pay multiples, and Trade Union facility time.
- Development of a performance framework, building on existing good practice for reporting Key Performance Indicators (KPIs).
- Update our self-assessment against the CIPFA Financial Management Standard. This will support delivery of one or more actions from a recent internal audit.

1.4 In previous years the Audit & Governance Sub-Committee has received a governance review and round up report, usually presented at its July meeting. In its current form, this is mainly now a report on new and updated policies. With the implementation of MetaCompliance policy management system, we will now be able to generate a system report showing policy updates, engagement etc. It is proposed therefore that from July 2025 the review and round up report might be replaced with the next Governance Group update report and if required, the MetaCompliance system report can be included as an appendix.

1.5 CIPFA Position Statement on Audit Committees in Local Authorities 2022 encourages audit committees to undertake an annual review of how they have discharged their role and responsibilities; evaluate their performance and impact; identify improvements; and report back to those charged with governance. With Audit & Governance Sub-Committee's agreement future Governance Group reports could be considered at the Sub-Committee meetings, and then be extended to include a commentary from the Sub-Committee on their role etc, before being reported on to the Management Committee. This would be similar to the endorsement and recommendation the Chair of the Audit & Governance Sub-Committee makes at the end of the Annual Governance Statement.

2. STRATEGIC IMPLICATIONS

2.1 The Governance Group, set up in response to Audit & Governance Sub-Committee's recommendation, and the Sub-Committee's oversight of the group's work programme, support YPO's commitment to good governance throughout the planning and delivery of our 5 Year Strategy and medium to long term objectives.

3. FINANCIAL/RESOURCE IMPLICATIONS

3.1 There are no financial and resource implications arising directly from this report.

4. LEGAL IMPLICATIONS

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

5. RISK IMPLICATIONS

- 5.1 The Governance Group's work programme, and its oversight by Audit & Governance Sub-Committee, help to strengthen YPO's system of internal control, which is a key element of our governance framework, designed to manage risk to a reasonable level.

6. CONSULTATION

- 6.1 The Governance Group has been consulted on this report.

7. OPTIONS APPRAISAL

- 7.1 We could choose not to have a report back from the Governance Group to Audit & Governance Sub-Committee, but this would miss an opportunity to strengthen risk and governance arrangements.

8. RECOMMENDATIONS

- 8.1 Audit & Governance Sub-Committee receive the report on the Governance Group's work over the last 15 months, and consider the work programme for 2025.
- 8.2 Audit & Governance Sub-Committee consider whether the Governance Group report might replace the governance review report that it usually considers in July each year, as the latter is mainly a report on policy updates, and this can be provided by different means (see para 1.4 above).
- 8.3 Audit & Governance Sub-Committee consider whether, after consideration of the Governance Group report, they might wish to extend it include a short commentary from the Sub-Committee itself, creating a joint officer member report to Management Committee (see para 1.5 above).

9. REASONS FOR RECOMMENDATIONS

- 9.1 These recommendations help to strengthen YPO's governance arrangements.

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	YPO AUDIT & GOVERNANCE SUB-COMMITTEE TO BE HELD ON 8TH NOVEMBER 2024
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TITLE: AUDIT & GOVERNANCE SUB-COMMITTEE TERMS OF REFERENCE

REPORT OF: MANAGING DIRECTOR

1. BACKGROUND INFORMATION

- 1.1 In July 2023 Audit & Governance Sub-Committee recommended YPO establish an officer group to provide greater assurance, to both those charged with governance and those charged with oversight, that effective governance is in place at YPO. The Governance Group was set up and is now chaired by the Managing Director. Details of the group's purpose and role were included in the Annual Governance Statement (AGS) 2023 that Audit & Governance Sub-Committee considered at their meeting in July 2024.
- 1.2 In the AGS 2023 the Governance Group made a commitment to further improvement through the development and publication of a digital constitution for YPO, bringing together all of our high-level governance documents in one place (similar to those published by our Founder Member Authorities). As part of this work we also committed to review the terms of reference, initially for our officer fora, to promote understanding and communication, with the aim of rolling this out to member committees in the future.
- 1.3 Since Audit & Governance Sub-Committee was established in its current form in 2022, CIPFA have published a new Position Statement on Audit Committees. In response, the Governance Group have reviewed the Sub-Committee's 2022/23 terms of reference against the position statement, to identify current good practice and any changes proposed to further enhance the Sub-Committee's contribution to good governance. Following on from that review the group has developed a revised draft Terms of Reference, in consultation with the Lead Authority's Monitoring Officer and S151 Officer.
- 1.4 There are no fundamental changes proposed to Audit & Governance Sub-Committee's core responsibilities or member representation. However as a Joint Committee YPO and the Audit & Governance Sub-Committee cannot meet the full expectations of the CIPFA position statement. Again this is unchanged from previous years' but in this draft, the areas of non-conformity are clearly stated, for transparency, along with additional measures to mitigate any risk arising from this.
- 1.5 Appendix 1 sets out the draft text for the Digital Constitution section on governance, risk and assurance (similar to Part 2 Article 9 of the Lead Authority's constitution). Appendix 2 sets out the resulting draft Audit & Governance Sub-Committee Terms of Reference.

2. STRATEGIC IMPLICATIONS

- 2.1 A key purpose of the overall governance framework is to facilitate effective financial and operational management, to ensure that risks to the achievement of YPO's objectives, as set out in our 5 Year Strategy, are identified and mitigated. An effective Audit & Governance Sub-Committee is an essential element of this governance framework.

3. FINANCIAL/RESOURCE IMPLICATIONS

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

4. LEGAL IMPLICATIONS

- 4.1 There are no legal implications arising directly from this report. However, the legal and regulatory context has been considered, and advice and guidance has been received from the Lead Authority Monitoring Officer and S151 Officer.

5. RISK IMPLICATIONS

- 5.1 The overall governance framework is designed to manage risk to a reasonable level, by identifying and prioritising mitigation of risks to the achievement of YPO's strategic objectives. The Audit & Governance Sub-Committee is an essential element of YPO's overall governance framework.

6. CONSULTATION

- 6.1 The Governance Group have been consulted on this report and appendices.
- 6.2 The Lead Authority Monitoring Officer and S151 Officer have been consulted on this report and appendices.
- 6.3 It has been agreed that the Legal Officers Forum, with representatives from each of the Founder Member Authorities, will be consulted on this report and appendices.

7. OPTIONS APPRAISAL

- 7.1 It is good practice for YPO to have an audit committee that aligns, as far as is reasonable and practicable, with the CIPFA Position Statement on Audit Committees, whilst recognising that as a Joint Committee we cannot fully comply with the position statement. We could choose not to recognise areas of non-conformance, but it is good practice to do so in the interests of transparency.

8. RECOMMENDATIONS

- 8.1 Audit & Governance Sub-Committee note the contents of Appendix 1 (Governance, Risk and Assurance extract from YPO's draft digital constitution).
- 8.2 Audit & Governance Sub-Committee consider and agree their revised draft Terms of Reference (Appendix 2) (subject to further feedback from the Legal Officers Forum).

9. REASONS FOR RECOMMENDATIONS

- 9.1 An effective Audit & Governance Sub-Committee is an essential element of YPO's governance framework. The revised draft Terms of Reference help to align the Sub-

Committee with best practice, as far as is reasonable and practicable.

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APPENDICES

Appendix 1: Governance, Risk and Assurance (extract from YPO's draft digital constitution)

Appendix 2: Audit & Governance Sub-Committee: Revised draft Terms of Reference

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YPO Constitution 2024 Draft (extract)

APPENDIX 1

Governance, Risk and Assurance

As a commercial organisation, set up as a Local Authority Joint Committee, under the Local Government Act Section 102, YPO has adopted local government regulation and best practice, as far as is reasonable and practicable, with regard to its governance framework and system of internal control; arrangements for risk and financial management; oversight of executive decision making including overview and scrutiny; and the provision of assurance including audit and audit committee.

Corporate Governance Framework

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. YPO acknowledges its responsibility for putting in place proper and effective governance arrangements.

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 Founder Member Authorities and other key stakeholders. Key elements of the framework include:

- Promoting high standards of conduct in accordance with the seven principles of public life: selflessness; integrity; objectivity; accountability; openness; honesty; leadership.
- Adopting the principles set out in Delivering Good Governance in Local Government: Framework (CIPFA / SOLACE 2016) and compliance with Accounts & Audit Regulations (2015).
- A sound system of internal control including arrangements for risk management, financial management and sources of assurance including Internal and External Audit.
- Compliance with the requirements for Audit Committees in Local Authorities (CIPFA Position Statement updated 2022) through the Audit & Governance Sub-Committee.
- Arrangements for oversight of, and challenge to, executive decision making, including overview and scrutiny, and support from the Lead Authority.

Principles of Public Life (Nolan Principles)

YPO relies on its Founder Member Authorities to publish a Members' Code of Conduct; to ensure its elected members comply with the Code including maintaining a register of interests; and to maintain a Standards Committee or Sub-Committee and arrangements to investigate allegations of failure to comply with the code.

YPO has adopted a set of values, things we believe in, that are practical and directly inform the decisions we make and the action we take. Each value is supported by a set of commitments from the YPO Board and Senior Leadership Team, and a set of behaviours to demonstrate how our values are positively brought to life through our actions.

YPO Constitution 2024 Draft (extract)

Delivering Good Governance

In accordance with Delivering Good Governance in Local Government: Framework (CIPFA / SOLACE 2016) YPO has approved and published a *Local Code of Governance* that sets out:

- Our commitment to the 2016 Framework's principles of good governance
- Our governance structure and the behaviours and actions that demonstrate good governance in practice

In compliance with Accounts & Audit Regulations (2015) YPO has arrangements in place to:

- Ensure it has a sound system of internal control
- Conduct a review of the effectiveness of the system of internal control each financial year, in accordance with proper practice (as set out in the 2016 Framework)
- Report the results of the review in an annual governance statement, for approval by members and publication

System of Internal Control

The system of internal control is a significant aspect of YPO's governance framework and is designed to manage risk to a reasonable level. It helps to identify and prioritise mitigation of the risks to the achievement of our aims and objectives. The system of internal control:

- Facilitates the achievements of YPO's aims and objectives
- Includes effective arrangements for the management of risk
- Ensures that the financial and operational management of YPO is effective

Sources of Assurance

YPO has a duty to ensure it has arrangements in place for effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes, taking into account public sector internal audit standards and guidance. It is part of the Lead Authority's role to provide an effective internal audit service as part of an agreed Service Level Agreement. Any officer or member must, if required to do so for the purposes of Internal Audit, make available such documents and records, and supply such information and explanations, as are considered necessary by those conducting the internal audit.

YPO appoints an external auditor to conduct a high-level risk-based assessment of our financial systems, processes and transactions, to provide reasonable assurance, and an independent opinion that our financial statements give a true and fair view of our financial performance, free from material misstatement and prepared in accordance with relevant legal and accounting standards.

Assurance is also available from other providers including those with legal and regulatory powers such as HSE, or those providing assessment of YPO's activities against established measures such as ISO (International Organisation for Standardisation) standards.

YPO Constitution 2024 Draft (extract)

Audit Committees in Local Authorities (CIPFA Position Statement updated 2022)

CIPFA's position statement sets out how UK local authorities can meet their statutory responsibilities for governance by establishing an audit committee. The position statement outlines the status, purpose, and core responsibilities of an audit committee, to:

- Provide an independent and high-level focus on the adequacy of governance, risk and internal control arrangements.
- Give confidence to those charged with governance that there is sufficient control over governance, risk and internal control that arrangements are effective.

The position statement recommends an audit committee based on an 'independent and effective model' with sufficient authority that its recommendations carry weight and have influence with the leadership team and those charged with governance. Elements include:

- Directly accountable to the governing body
- Independent of both the executive and scrutiny functions
- Has rights of access to, and constructive engagement with, other committees and functions, and rights to request reports and seek assurances from relevant officers.
- Is of an appropriate size to operate as an experienced, trained committee.
- May allow independent members to be co-opted onto the committee.

Application of the CIPFA Position Statement to YPO Audit & Governance Sub-Committee

YPO's Audit & Governance Sub-Committee has been established to meet the requirements of CIPFA's position statement, as far as is reasonable and practicable, and so contribute to YPO's overall governance, risk and assurance arrangements.

The Sub-Committee delivers all of the core functions outlined in the position statement, as set out in its Terms of Reference. However, it differs from the 'independent and effective model' in three key ways, that are noted here for transparency.

- Due to organisational structures and member representation, the Sub-Committee is not independent of both the executive and scrutiny functions. However, risk is mitigated by other controls including transparency around appointments to committees; member declarations of interest; arrangements for public reporting; and the access and reporting rights of the Non-Executive Director whose role specification includes a responsibility to identify potential risks to governance controls as well as operational continuity.
- The Sub-Committee provides all aspects of YPO's overview and scrutiny function including the authority to carry out reviews; to contribute to policy development and implementation; and to examine any decisions made or to be made.
- The Sub-Committee does not have a means of co-opting independent members on a standing or ad hoc basis. This is mitigated by the Lead Authority's provision of appropriately qualified staff to carry out the roles of Section 151 officer and Monitoring

YPO Constitution 2024 Draft (extract)

office and support from other relevant organisations such as the Local Government Association (LGA).

YPO Constitution 2024 Draft (extract)

APPENDIX 2

Audit & Governance Sub-Committee Terms of Reference

Name of Committee: Audit & Governance Sub-Committee

Date ToR published: November 2024 (replaces July 2024)

Next review due: June 2025 (and annually thereafter)

Authority, Accountability, Relationships

Audit & Governance Sub-Committee is an elected member committee set up by YPO and its Founder Member Authorities to meet the requirements for a local authority audit committee, as set out in the CIPFA Position Statement 2022 as far as is reasonable and practicable. The Sub-Committee retains some responsibilities of its predecessor Audit & Scrutiny Sub-Committee (and earlier Scrutiny Sub-Committee), set up in compliance with the Local Government Act 2000.

The Sub-Committee is accountable to the YPO Management Committee. In addition to its audit committee responsibilities, and its inherited overview and scrutiny powers, it may also undertake work and take decisions delegated by the Management Committee.

The Sub-Committee is not required to be politically proportionate, but it is expected to operate in an apolitical manner and to promote apolitical discussion.

Membership

- Membership is open to eight elected members from across the 13 Founder Member Authorities, no more than one per local authority. The Chair and Vice Chair of the Management Committee cannot be members of the Sub-Committee.
- One agreed named substitute per Founder Member Authority is allowed.
- Membership is reviewed annually following Local Authority elections.
- The Chair and Vice Chair of the Sub-Committee are appointed at the YPO AGM.
- At least three Founder Member Authorities must be represented for the meeting to be quorate.

Activity and Decision Making

- The Sub-Committee will meet at least twice per year, approximately one month prior to YPO Management Committee meetings. Emergency or ad hoc meetings may be arranged by agreement between the Chairs / Vice Chairs of the Sub-Committee and Management Committee, YPO's Managing Director and the Lead Authority.
- Meetings will be managed by YPO Business Services and Wakefield Council Chief Executive's Office in accordance with Local Government Act 1972.
- Meeting agendas will include standing items, cyclical and ad hoc reports. A list of principal agenda items will be published annually.

YPO Constitution 2024 Draft (extract)

- Sub-Committee members must respect personal and commercial confidentiality of information shared.

Purpose, Role and Responsibilities

Audit & Governance Sub-Committee is a key component of YPO's governance and internal control framework. Its role is to provide an independent and high-level focus on the adequacy of YPO's governance, risk and control arrangements, and to give confidence to those charged with governance that there is sufficient control over governance, risk and control that arrangements are operating effectively. Audit & Governance Sub-Committee can also undertake overview and scrutiny functions.

Core Audit Committee Functions

Maintenance of governance, risk and control arrangements:

- Support a comprehensive understanding of governance across YPO
- Consider the effectiveness of YPO's risk management arrangements; understand YPO's risk profile; and seek assurances that risks are being actively managed
- Monitor the effectiveness of YPO's system of internal control, including financial management; standards and ethics; exposure to the risk of fraud and corruption

Financial and governance reporting:

- Be satisfied that YPO's accountability statements properly reflect the risk environment, and demonstrate how governance supports the achievement of YPO's objectives
- Support effective arrangements for YPO's financial reporting, and review the statutory statements of account and reports that accompany them
- Have oversight of YPO's Treasury Management arrangements

Establish appropriate and effective arrangements for audit and assurance:

- Oversee Internal Audit independence, performance and professional standards
- Ensure Internal Audit work is planned and carried out with regard to significant risk, to provide assurance that governance, risk and controls are operating effectively
- Consider the appointment, work programme, reports, opinion, and recommendations of External Audit, and their implications for governance, risk and internal control
- Ensure YPO Management implement audit actions and recommendations

Overview and Scrutiny Functions

- Gather information from diverse sources to conduct reviews over a range of issues
- Contribute to policy development and implementation

Examine any decisions made or to be made

Review and Report

- YPO Management Committee may request a review of the Sub-Committee.

YPO Constitution 2024 Draft (extract)

- The Sub-Committee should undertake an annual review of how it has complied with the position statement; discharged its responsibilities; its performance; evaluated its impact; and identified any improvements, and publish the results in a public report.

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Audit Completion Report

Yorkshire Purchasing Organisation
Year ended 31 December 2023

October 2024

Strictly private and confidential



Contents

- 01 Executive summary
- 02 Status of the audit
- 03 Significant findings
- 04 Internal control recommendations
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- A Appendix A: Management representation letter
- Appendix B: Audit report
- Appendix C: Independence

This document is to be regarded as confidential to Yorkshire Purchasing Organisation. It has been prepared for the sole use of the Audit & Scrutiny Sub-Committee as the appropriate sub-committee charged with governance by the Management Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.



Audit & Scrutiny Sub-Committee
Yorkshire Purchasing Organisation
41 Industrial Park
Wakefield
WF2 OXE

October 2024

Audit Completion Report – Year ended 31 December 2023

Dear Committee Members,

We are pleased to present our Audit Completion Report for the year ended 31 December 2023. The purpose of this document is to summarise our audit findings and conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit. We have reviewed our Audit Strategy memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

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

If you would like to discuss any matters in more detail, then please do not hesitate to contact me on 07810 528 878.

Yours faithfully

Shaun Mullins

01

Section 01:

Executive summary

Executive summary

Principal conclusions and significant findings

We have been engaged to audit the financial statements of Yorkshire Purchasing Organisation for the year ended 31 December 2023 which are prepared in accordance with International Standards on Auditing (UK).

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK), the relevant ethical and professional standards and the terms of our engagement, and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In the section titled 'Significant findings' in this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement. The matters that were of most significance in our audit of the financial statements were:

- Valuation of land & buildings
- Valuation of defined benefit pension liability.
- Related Party Transactions
- Local Government Pension Scheme Assumptions

Misstatement and internal control recommendations

The section titled 'Internal control recommendations' sets out internal control recommendations and the section titled 'Summary of misstatements' sets out audit misstatements.

Status and audit opinion

We have completed our audit in respect of the financial statements for the year ended 31 December 2023.

We have issued an unqualified opinion, without modification, as set out in Appendix B.

02

Section 02:

Status of the audit

Status of the audit

Status



Likely to result in material adjustment or significant change to disclosures within the financial statements.



Potential to result in material adjustment or significant change to disclosures within the financial statements.



Not considered likely to result in material adjustment or change to disclosures within the financial statements.

Our audit work is complete and there are no outstanding matters.

03

Section 03: **Significant findings**

Significant findings

Significant findings, including key areas of management judgement

The significant findings from our audit include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 5 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant findings

Management override of controls

Description of the risk

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

How we addressed this risk

We addressed this risk through performing audit work over:

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

Audit conclusion

There are no matters identified in the work completed giving rise to material misstatement in the financial statements.

Significant findings

Revenue Recognition

Description of the risk

The risk of fraud in revenue recognition is presumed to be a significant risk on all audits due to the potential to inappropriately shift the timing and basis of revenue recognition as well as the potential to record fictitious revenues or fail to record actual revenues.

For Yorkshire Purchasing Organisation we deem the risk to relate specifically to the recognition of income around the year end, being the cut-off assertion.

How we addressed this risk

We addressed this risk by performing detailed testing across the turnover income focusing on the recognition of income in the correct period. Our procedures were conducted so as to understand the policies for income recognition and to consider the risk of revenue being accounted for in the wrong accounting period.

Audit conclusion

There are no matters giving rise to material misstatement to report in relation to the recognition of revenue in respect of the cut-off assertion.

Significant findings

Valuation of land & buildings

Description of the risk

The CIPFA Code requires that where assets are subject to revaluation, their yearend carrying value should reflect the fair value at that date. YPO carry out a full onsite valuation of their land and buildings every 5 years and a desktop review each year in between. There is a risk that the desktop valuation does not incorporate sufficient detail with regards to the assumptions and the possibility of impairment to provide materially correct valuations.

The valuation of land & buildings involves the use of a management expert (the valuer) and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process.

How we addressed this risk

We evaluated the design and implementation of controls YPO has in place which mitigate the risk. In addition our procedures included:

- Critically assessing the valuer's scope of work, qualifications, objectivity and independence to carry out the Organisation's programme of revaluations;
- Considering whether the overall revaluation methodology used by the valuer is in line with industry practice, the CIPFA Code of Practice and YPO's accounting policies;
- Critically assessing the appropriateness of the underlying data and the key assumptions used in the valuer's calculations, using available third-party evidence;
- Assessing the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time;
- Critically assessing the treatment of the upward and downward revaluations in YPO's financial statements with regards to the requirements of the CIPFA Code of Practice.

Audit conclusion

The above procedures were successfully performed and there are no significant matters to report in relation to valuation of land and buildings.

Significant findings

Valuation of defined benefit pension scheme	Description of the risk
	The net pension liability represents a material element of the Organisation’s balance sheet. YPO is an admitted body of West Yorkshire Pension Fund, which had its last triennial valuation completed as at 31 March 2023. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Organisation’s overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Organisation’s valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Organisation’s employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes. There is a risk that the assumptions and methodology used in valuing the Organisation’s pension obligation are not reasonable or appropriate to the Organisation’s circumstances. This could have a material impact to the net pension liability at the year end.
	How we addressed this risk We evaluated the design and implementation of controls YPO has in place which mitigate the risk. In addition our procedures included: • Critically assessing the competency, objectivity and independence of the West Yorkshire Pension Fund’s Actuary, Aon Hewitt; • Liaising with the auditors of the West Yorkshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate; • Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges; • Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Organisation’s financial statements
	Audit conclusion There are no significant matters to report in relation to the valuation of the Defined Benefit Pension scheme. The valuation resulted in a surplus of £14,783k to which the organisation appropriately opted not to recognised on the balance sheet. This surplus represents the funded element. The unfunded proportion of the pension scheme has been recognised as a liability of £473k on the balance sheet.

Significant findings

Enhanced risk

Related party transactions

Description of the risk

The Organisation is required to comply with the requirements of the CIPFA Code and IAS24 to disclose its transactions with related parties.

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

How we addressed this risk

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

We also considered whether the disclosures were complete and accurate taking into account the process and the output from the Organisation’s work.

Audit conclusion

There are no significant matters identified to report.

Significant findings

Qualitative aspects of the YPO’s accounting practices

The Organisation voluntarily produces non-statutory financial statements which are prepared on a going concern basis as required by the CIPFA Code Of Practice On Local Authority Accounting In The United Kingdom 2022/23 (the Code). We considered the appropriateness of the use of the going concern assumption and have reviewed the Organisation’s accounting policies and disclosures. As highlighted in section 1, our work on going concern is still to be concluded.

Draft financial statements were received from YPO on 9 February 2024. The quality of the initial draft financial statements was good, and our initial review comments did not identify any material omissions or corrections that were required. YPO have prepared and shared supporting working papers and evidence through the audit promptly allowing the audit to progress to completion in a smoother fashion than previous years, and in line with our agreed timetable.

Significant matters discussed with management

During the audit we maintained a regular dialogue with management to allow assessments to be performed in areas of judgement.

Significant difficulties during the audit

During the course of the audit, we did not encounter any significant difficulties and we have had the full co-operation of management.

04

Section 04:

Internal control recommendations

Internal control recommendations

Overview of engagement

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to Committee Members any significant deficiencies identified during the course of our work.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

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

Our findings and recommendations are set out on the following pages. We have assigned priority rankings to each of them to reflect the risk associated with the finding with regard to the achievement of the control objectives and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

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

Internal control recommendations

Significant deficiencies in internal control (CY and PY control point) – Priority 1

Description of deficiency

Our testing of the trade creditors balance identified that trade creditors contains a magnitude of offsetting debit entries. Debit balances on trade creditors for the current year amounted to £13,818k for 2023. Based on inquiry, as the system doesn't match off the payment this creates large debit balances that do offset against creditor balances.

Consequently, our testing was more extensive than should ideally be necessary, testing both the credit and the debit entries. As well as causing additional testing in the audit this issue causes inefficiencies for YPO that leads to additional time and complexity required to process routine transactions.

Potential effects

This could result to overpayment to suppliers as the creditors ledger does not reflect the actual credit balances to each creditors.

Recommendation

Implement system improvements to enable the operation of an efficient accounts payable system avoiding the creation of significant debit and credit entries in the trade creditors balance. Additional assistance from NAV should be sought to ensure this issue does not continue and invoices can be correctly posted to the payables ledger and correctly matched against a payment, once made.

It will also be beneficial for the organisation to perform confirmation from their supplier to compare with the existing creditors balances.

Management response

Debit balances on our trade creditors arose due to system issues we experienced in 2020 and 2021, this delayed the processing of purchase invoices and to ensure continued supply of goods and services we agreed to make supplier payments against statement values and before the invoices had been processed and on the ledger. The debit balances will be cleared down as we work through a backlog of aged invoices currently sat in the Compleat matching system. An Accounts Payable Team Leader is now in post to ensure that all invoices are processed before our contract with Compleat terminates in November 2024. In line with the termination of our contract with Compleat we moved to a new invoice matching system in April 2024 which has already improved the processing of purchase invoices and will ensure that once these historical debit balances are cleared the situation does not happen again.

Internal control recommendations

Other recommendations in internal control (CY and PY) Priority 2

Description of deficiency

We identified a lack of formal recording processes present in identifying transactions between YPO and their related parties. The same issues have been noted again this year, for example: in testing of other income.

Potential effects

This can lead to incorrect disclosures of related party transactions within the financial statements.

Recommendation

The Organisation should establish a formal process as part of the production of the accounts, to identify all transactions with their related parties.

Management response

Transactions between YPO and YPO Supplies Limited are driven by the same data sources to ensure they match but we will also look to introduce a monthly reconciliation between the two ledgers as part of the month end process. As part of the year end process we also carry out a review of all member declarations of interest to check for any potential conflicts.

Description of deficiency

There is no formal review process in place for individual journal postings, either via manual or system controls.

Potential effects

Incorrect journals could be posted. There is a risk of management override of controls as well as potential misstatements.

Recommendation

To input a formal review of journal postings, which show evidence of authorisation.

Management response

Whilst there is no individual transaction approval in place for Journals posted to Navision, the values of all accounting adjustments made by journals are included when the financial controller prepares the monthly management accounts and carries out a variance analysis, examples of them querying or needing additional clarification of the postings are available if needed. We will revisit the system functionality of approving journals as we head towards the second stage of the NAV upgrade in 2025.

Internal control recommendations

Prior year controls issue not detailed in this report:

The following are the issues identified in the prior year but not included in the detailed description of recommendations of internal control due to no instances occurred in 2023 audit.

However, we still advise the organisation to consider the below control point as necessary:

- a. Signed delivery notes not available at the time the audit is conducted.
 - b. No set process of completing the review of the bank reconciliation
 - c. Employee contract has not been signed by the employee
 - d. When receipts are received from customers in relation to their recharge income, it is not allocated to specific invoices
 - e. Fixed asset disposed in 2022 without the knowledge of management and finance team
-

05

Section 05:

Summary of misstatements

Summary of misstatements

We set out on the following pages the misstatements identified during the course of the audit, above the level of trivial.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table relates to the unadjusted misstatements identified in the prior financial period and impact the current financial statements.

There were no changes to initial materiality identified during our planning stage.

Summary of unadjusted misstatements

Details of adjustment	Assets	Liabilities	Reserves	Income statement
DR Other Income				108,000
CR Other Debtors	(108,000)			
Description of adjustment				
Being the adjustment of an over accrued income relating to catalogue contributions.				
DR Profit or Loss (Actual)				284,508
DR Profit or Loss (Extrapolated)				421,042
CR Creditors (Actual)		(284,508)		
CR Creditors (Extrapolated)		(421,042)		
Description of adjustment				
Being the extrapolated error of the under accrued credit balance on the creditors ledger.				
DR Income (Actual)				12,699
DR Income (Extrapolated)				283,219
CR Trade Debtors (Actual)	(12,699)			
CR Trade Debtors (Extrapolated)	(283,219)			
Description of adjustment				
Being the adjustment of the extrapolated error on CAD testing, this relates to credit notes raised post year end and not adjusted for within the income for the period.				
DR Expected Credit Loss Allowance	155,997			
CR Release of ECL				(155,997)
Description of adjustment				
Being the difference between the trial balance and the supporting evidence associated to the Expected Credit Loss calculation.				
DR Cash	40,254			
CR Forex Gain				(40,254)
Description of adjustment				
Being the historic FX gain not recognised on the USD bank accounts.				
TOTAL UNADJUSTED MISSTATEMENTS	-207,668	-705,550	0	913,218

Summary of unadjusted misstatements – Prior Financial Period

Details of adjustment	Assets	Liabilities	Reserves	Income statement
DR Other income				(725,000)
CR Reserves brought forward			725,000	
Description of adjustment				
Being the overaccrued amount in 2022 year end of the catalogue contributions				

Summary of misstatements

Disclosure amendments

During the course of our audit management discussed a presentational change to the financial statements. This involved an assessment of the disclosure notes currently within the financial statements. Following this review, several disclosure amendments were made to match the new layout of the financial statements.



Appendices

- A: Management representation letter
- B: Audit report
- C: Independence

Appendix A: Management representation letter

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

October 2024

Dear Sir,

Yorkshire Purchasing Organisation (YPO) - Non-Statutory Audit for the year ended 31 December 2023

This representation letter is provided in connection with your audit of the financial statements of Yorkshire Purchasing Organisation (YPO) for the year ended 31 December 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) and applicable law.

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

Our responsibility for the financial statements and accounting information

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

Our responsibility to provide and disclose relevant information

We have provided you with:

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

We confirm as directors that we have taken all the necessary steps to make us aware, as directors, of any relevant audit information and to establish that you, as auditors, are aware of this information.

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

Appendix A: Management representation letter

Accounting records

We confirm that all transactions undertaken by the company have been properly recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all management and shareholders' meetings, have been made available to you.

Accounting policies

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

Accounting estimates

We confirm that the methods, significant assumptions and the data used in making the accounting estimates are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

In particular we confirm the:

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

Contingencies

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

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

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

There are no contingent gains which should be disclosed.

Appendix A: Management representation letter

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

Laws and regulations

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

We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.

Fraud and error

We acknowledge our responsibility as directors of the company, for the design, implementation and maintenance of internal control to prevent and detect fraud and error and we believe we have appropriately fulfilled those responsibilities.

We have disclosed to you:

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

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

Related party transactions

We confirm that all related party relationships, transactions and balances, (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

We have disclosed to you the identity of the company's related parties and all related party relationships and transactions of which we are aware.

Appendix A: Management representation letter

Impairment review

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

Future commitments

We have no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

We confirm all events subsequent to the date of the financial statements and for which the Code and Applicable Law require adjustment or disclosure have been adjusted or disclosed.

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

Going concern

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

Unadjusted misstatements

We confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours faithfully

Director

Appendix B: Audit report

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

Opinion

We have audited the financial statements of Yorkshire Purchasing Organisation (the ‘Organisation’) for the year ended 31 December 2023 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, and the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23. The non-statutory financial statements have been prepared for the reasons set out in Note 1 to the financial statements.

In our opinion, the financial statements:

- give a true and fair view of the state of the Organisation’s affairs as at 31 December 2023 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law and the terms of our engagement letter dated 1 June 2024. Our responsibilities under those standards are further described in the Auditor’s responsibilities section of our report. We are independent of the Organisation in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Organisation’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Appendix B: Audit report

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and prepare the financial statements on a going concern basis, unless the Organisation is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Organisation to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Organisation and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the Local Authorities (Goods & Services) Act 1970 and we considered the extent to which non-compliance might have a material effect on the financial statements.

Appendix B: Audit report

We evaluated the Chief Finance Officer’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions. To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management as to whether the Organisation is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Organisation which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit report

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

Shaun Mullins (Senior Statutory Auditor) for and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
5th Floor, 3 Wellington Place. Leeds. LS1 4AP

Appendix C: Independence

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

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent from an audit viewpoint.

Mazars

5th Floor

3 Wellington Place

Leeds

LS1 4AP

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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	YPO AUDIT & GOVERNANCE SUB-COMMITTEE TO BE HELD ON 8TH NOVEMBER 2024
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TITLE: PROGRESS UPDATE FOR HEAD OF INTERNAL AUDIT ASSURANCE OPINION (JANUARY TO DECEMBER 2024)

REPORT OF: HEAD OF INTERNAL AUDIT AND COUNTER-FRAUD (WAKEFIELD COUNCIL)

1. PURPOSE OF REPORT

- 1.1. To provide an update to the Audit and Governance Sub-Committee (the Committee) on the progress being made against the completion of the Internal Audit Plan for the 2024 calendar year.

2. BACKGROUND INFORMATION

- 2.1 As lead authority, Wakefield Council provides the internal audit services for the Yorkshire Purchasing Organisation (YPO) under a Service Level Agreement. A rolling, three-year internal audit plan is in place which is refreshed annually. This work culminates in the provision of the 'Head of Internal Audit Annual Assurance Opinion'.

3. CURRENT PROGRESS

- 3.1 Internal Audit work tends to be undertaken during quarter four of the calendar year, this is to maximise coverage when undertaking sample testing. This has been the approach for the completion of the audit work in 2024.
- 3.2 At the time of reporting one audit, the 'Main Accounting System' has been finalised. It is pleasing to provide positive assurance that good controls are in place and good levels of compliance. Since the audit YPO management has confirmed that the approval workflow has been updated so that it is now consistent with the approval levels within the Financial Procedure Rules.
- 3.3 The remaining work relates to reviews on:
 - Adherence to Legislation – Health and Safety Related.
 - Budgetary Control.
 - Effectiveness of the Audit and Governance Sub-Group Process.
 - Follow-Up of High and Medium Priority Audit Recommendations.

- Stock Control.

3.4 It is too early to provide any meaningful commentary on the other work listed at paragraph 3.3.

3.5 However, positive assurance is provided to this Committee that:

- Work is on track to be completed in a timely manner.
- There is an effective process in place between YPO and Internal Audit to manage the completion of audit work. This includes a regular meeting with the Head of Finance and the Assistant Financial Controller.

3.6 The Head of Internal Audit and Counter-Fraud is therefore confident that the 'Annual Head of Internal Audit Opinion for 2024' will be provided at the next Committee meeting.

4. STRATEGIC IMPLICATIONS

4.1 The annual internal audit plans for YPO are linked to the Invest and Value Strategy 2022-26 and the strategic risk register. This can be evidenced through agenda report packs for this Committee.

5. FINANCIAL IMPLICATIONS

5.1 The annual cost for the provision of Internal Audit for YPO in 2024 is £48,471.

6. LEGAL IMPLICATIONS

6.1 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.

6.2 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 this Committee.

6.3 This 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.

7. EQUALITY IMPLICATIONS

7.1 There are no equality implications.

8. RISK IMPLICATIONS

8.1 In line with the Public Sector Internal Audit Standards there is a requirement to set a risk-based internal audit plan. This work, alongside any other relevant sources of

assurance, contributes towards the delivery of the 'Annual Head of Internal Audit Assurance Opinion'.

- 8.2 There is a low risk that the Head of Internal Audit Annual Assurance will not be presented to the next Committee meeting.

9. RECOMMENDATIONS

- 9.1 The Audit and Governance Sub-Committee is asked to note the:
- Content of this update report.
 - Assurances from the Head of Internal Audit and Counter-Fraud that the work will be completed in time to provide a meaningful annual assurance opinion.

CONTACT OFFICER: JASON BROOK, HEAD OF INTERNAL AUDIT AND COUNTER-FRAUD (WAKEFIELD COUNCIL)

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	YPO AUDIT & GOVERNANCE SUB-COMMITTEE TO BE HELD ON 8TH NOVEMBER 2024
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TITLE: DRAFT ANNUAL INTERNAL AUDIT PLAN 2025

REPORT OF: HEAD OF INTERNAL AUDIT AND COUNTER-FRAUD (WAKEFIELD COUNCIL)

1. PURPOSE OF REPORT

1.1. The purpose of the report is to:

- Share the draft internal audit plan with the Audit and Governance Sub-Committee (the Committee) as part of the approval process. This will help to ensure that effective engagement has taken place throughout the planning process.
- Update the Committee on upcoming changes to internal audit professional standards.

2. BACKGROUND INFORMATION

2.1 The Public Sector Internal Audit Standards (PSIAS) require the Chief Audit Executive (Head of Internal Audit and Counter-Fraud 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.

2.2 In determining the 2025 Internal Audit Plan, and conforming to the PSIAS requirements, the Head of Internal Audit and Counter-Fraud considers the following:

- The objectives and priorities of the organisation, as set out in the YPO Invest and Value Strategy 2022-26.
- Documented strategic risks and findings from the annual 'Risk in Focus' publication.
- Previous internal audit work and findings.
- Input from this Committee and other key stakeholders.
- Any other sources of assurance that can be relied upon.

- 2.3 Section Three of this report provides positive assurance to this Sub-Committee that the process for setting the 2025 Internal Audit Plan conforms to the PSIAS requirements.

3. PROCESS FOR SETTING THE DRAFT PLAN

Considering the Objectives and priorities of YPO

- 3.1 As Committee is aware, YPO's mission is 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).
- 3.2 This is to be achieved through the following themed areas:
- Brilliant Basics.
 - Digitalisation.
 - Partnerships.
 - Growth.
 - Assets.
- 3.3 Appendix A to this report sets out how the proposed audits link to these priorities.

Strategic Risks

- 3.4 A key document for planning purposes is the Strategic Risk Register, which is based upon a 4 x 4 risk matrix. This provides an overall risk score of between 1 (very low / minor) and 16 (very high / severe).
- 3.5 Table One provides a summary of the strategic risks which are currently (September 2024) rated as very high or high. It also includes links to any coverage over the last three years.

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

Risk Description (Reference)	Risk Rating	Assurance Coverage?	How
Cyber security threats (SRR18).	Very High (16)	Yes	Assurance report from Head of Technology submitted to the November 2023 meeting. Links to the proposed audit on cyber security. YPO is in the process of seeking ISO 27001 accreditation for information security management systems.
Adequacy of the IT infrastructure (SRR05).	Very High (12)	Partial	Some links through the ongoing advisory work on the warehouse management system. Assurance report on the Warehouse Management System / SQL (July 2024).
Business continuity (SRR09).	Very High (12)	No	This was last reviewed in 2020; an assurance opinion of moderate was provided.
Delivery of priorities through effective leadership (SRR019).	Very High (12)	Yes	Through the Non-Executive Director update reports.
Ability to fulfil customer orders via supply chain (SRR10).	High (9)	Partial	Some links through the: • Business Updates. • Non-Executive Director Updates.

Risk Description (Reference)	Risk Rating	Assurance Coverage?	How
			Internal Audit advisory work on the Warehouse Management System.
Organisational capacity and resources (SRR11).	High (9)	Yes	An audit was completed in 2023, and moderate assurance was provided. Some follow-up work in 2024.
Underachievement of sales forecasts (SRR13).	High (9)	Yes	Assurance through the proposed 'Budgetary Control' review (2024) and current financial resilience review (2023). Also, via the Business Update to the Management Committee.
Ability to respond to market changes (SRR16).	High (9)	Partial	Some assurance coverage through: - Non-Executive Director Updates. - Business Update.

- 3.6 Another useful source of risk information is the annual 'Risk in Focus' publication from the Institute of Internal Auditors (IIA). This is based upon feedback from heads of internal audit across the globe and Table Two details their perceived top 10 risks facing organisation's heading into 2025.

Table Two: Top Ten Strategic Risks

Ref	Risk Description	Comments / Other Sources of Assurance
1.	Cyber and data security.	See previous comments for Cyber Security Risk (Table One).
2.	Human capital, diversity, talent management, and retention.	Internal Audit has reviewed this area in 2023 and 2024.
3.	Changes in laws and regulations.	Some coverage through audits on adherence to legislation. Note that the new Government has delayed the implementation of the Procurement Act.
4.	Digital disruption, new technology, and artificial intelligence.	The following are useful sources of assurance for this risk area: - Assurance report at the July 2024 meeting. - Head of Technology assurance report (November 2023). - Business Update reports. Internal Audit has also provided some advisory work in relation to the Warehouse Management System.
5.	Macroeconomic and geopolitical uncertainty.	The half-yearly Non-Executive Director updates are a useful source of assurance on inflationary challenges. This has included comments around the energy market.
6.	Climate change, biodiversity, and environmental sustainability.	The following are useful sources of assurance: - Management report on this area to the July 2024 meeting. - The upcoming internal audit review.
7.	Business continuity and resilience.	This area is a potential gap in assurance. The last audit review was in 2020 and, other than the risk management updates, no further assurances for several years.
8.	Market changes, competition, and changing consumer behaviour.	This area is also subject to some coverage via the half-yearly Non-Executive Director updates.
9.	Supply chain, outsourcing, and 'nth' party risks.	There will be some coverage through the audit on ethical trading (2024).

Ref	Risk Description	Comments / Other Sources of Assurance
10.	Financial, liquidity, and insolvency risks.	YPO receives assurances on this through: • External Audit via the annual update and Audited Statement of Accounts). • Business Updates to the Management Committee. • Report of the Non-Executive Director. • Internal Audit review of budgetary control (2024) and annual coverage of key financial systems.

Previous Internal Audit Coverage

- 3.7 Since 2019, Internal Audit has used a rolling 3 Year Audit Plan to identify audit work to conduct each year. This is updated on an annual basis and aligned to the YPO Risk Register and current priorities / objectives. Table Three provides a summary of the work undertaken between 2022 and 2024.

Table Three: Internal Audit Coverage 2022 to 2024

Audit Area	2022	2023	2024
Key Financial Systems			
Asset Management (Follow-Up)	✓		✓
Budgetary Control			✓
Creditors	✓		
Debtors		✓	
Debtors (Follow-Up)	✓		
Main Accounting System			✓
Payroll		✓	
Governance and Risk-Based Audits			
Adherence to Legislation – Health and Safety	✓	✓	✓
Business Planning	✓		
Contractual Break Clauses	✓		
Effectiveness of the Audit and Governance Sub-Group			✓
Ethical Trading			✓
Financial Resilience		✓	
Rebate Income	✓		
Resourcing Workforce Development			✓
Stock Control			✓
Workforce Development and Succession Planning		✓	

Input from key stakeholders

- 3.8 A series of meetings were held with the Head of Finance and the Assistant Financial Controller to help in the development of the draft Plan.
- 3.9 This report provides an opportunity for all other key stakeholders to provide input into the Plan before it is finalised.

Other Sources of Assurance

- 3.10 In order to avoid duplication of effort, and maximise assurance levels, the planning process considers other sources of assurance. Table Two has already set out sources of assurance for the top ten risks in the IIA publication.
- 3.11 It is also noted that YPO undertook a review of its governance arrangements in 2022, the outcome of which was reported to the Management Committee in July 2022. This is another positive source of assurance for this Committee.

Draft Internal Audit Plan for 2025

- 3.12 The proposed Internal Audit Plan for 2025 is set out in Appendix A and a high-level summary is provided in Table Four.

Table Four: Draft Internal Audit Plan 2025

Audit	Comments	Audit Days
Key Financial Systems (40 days)		
Creditors	To seek assurance that there are effective arrangements for: • Creating and amending creditor details, including bank details. • Making accurate and timely payments for goods and services that have been received. • Restricting access to the creditor system to authorised officer.	20
Payroll	To seek assurance that there are effective arrangements for: • The accurate and timely payment of staff. • Processing new starters and leavers accurately and in a timely manner. • Paying third parties (for tax and pension contributions). • Restricting access to the payroll system to authorised officers.	20
Risk-Based and Governance (60 Days)		
Adherence to legislation – Health and Safety	This is an area of coverage each calendar year, the exact scope will be agreed.	15
Business Planning	To seek assurance that YPO business planning arrangements are adequately designed and operating effectively.	15
Cyber Security	This is a “topical area” within the new Global Internal Audit Standards. As such the audit will follow the mandatory elements of the global guidance.	15
Rebate Income	To gain assurance on the adequacy of controls relating to rebate income.	15
Follow-Up and Recommendation Tracking (10 Days)		
Follow-Up Work	To monitor progress made in the implementation of high and medium priority audit recommendations.	10
Consultancy (5 Days)		
Counter-Fraud	Up to five days free advice, acting as a critical friend on the adequacy of counter-fraud arrangements.	N/A
Warehouse Management System	To be a critical friend on Phase Two of the Warehouse Management System Project.	5
Contingency and Reporting (10 Days)		
Contingency	This will include time for any additional work from the agreed audits and provision of ad hoc advice during 2025.	5
Liaison and reporting	Time for the preparation of the 2025 Internal Audit Plan, the annual assurance opinion, any meetings with senior management, the Audit and Governance Sub-Committee, and Management Committee.	5
Total Internal Audit Days		125

Potential Gaps in Assurance Coverage

- 3.13 The risk assessment process, subject to the draft Internal Audit Plan being approved, has identified business continuity as a potential assurance gap for this Committee. The Committee could consider the following three options:

- Approve the draft Internal Audit Plan and seek alternative assurance as part of its 2025 work programme. This could be via a management report on the effectiveness of YPO’s business continuity arrangements.
- Recommend that the draft Plan is revised to include an audit of business continuity. If this option is selected one of the ‘risk-based or governance’ audits would need to be removed. This may then create a further assurance gap.

- Approve the draft Plan and seek no alternative assurance on business continuity arrangements.

3.14 The Head of Internal Audit and Counter-Fraud would recommend that the first option is selected. Whilst full assurance can never be provided that significant risks will not materialise, a separate report on business continuity would help satisfy this Committee on the reasonableness of controls in place.

4. CHANGES TO THE INTERNAL AUDIT PROFESSIONAL STANDARDS

4.1 There is a current requirement for public sector internal audit functions to conform with the Public Sector Internal Audit Standards (PSIAS). Appendix B to this report is intended to raise awareness of these changes with this sub-Committee. These changes come into effect from 1 April 2025.

5. STRATEGIC IMPLICATIONS

5.1 Section Two of this report details how the draft Plan has been developed, linking with the Invest and Value Strategy 2022-26 and the strategic risk register maintained by YPO.

6. FINANCIAL IMPLICATIONS

6.1 The annual cost for the provision of Internal Audit for YPO in 2024 was £48,471, this will be subject to any uplift in the Service Level Agreement.

6.2 The draft Plan also considers the need to provide the Chief Finance Officer (Wakefield Council) with independent assurance on the effectiveness and efficiency of controls for the main financial systems.

7. LEGAL IMPLICATIONS

7.1 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.

7.2 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 Governance Sub-Committee.

7.3 The Audit and Governance Sub-Committee has delegated authority to provide this 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.

8. EQUALITY IMPLICATIONS

8.1 There are no equality implications.

9. RISK IMPLICATIONS

- 9.1 In line with the PSIAS there is a requirement to set a risk-based internal 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.

10. RECOMMENDATIONS

- 10.1 The Audit and Governance Sub-Committee is asked to:
- Review and provide comments on the draft Internal Audit Plan for 2025, as set out in Table Three (Appendix A provides further detail).
 - Consider the options set out in paragraph 3.13 around a potential assurance gap on YPO's business continuity arrangements.
 - Note the upcoming changes to internal auditing professional standards and arrangements Wakefield Council is putting in place. These have been summarised in Appendix B.

CONTACT OFFICER: JASON BROOK, HEAD OF INTERNAL AUDIT AND COUNTER-FRAUD (WAKEFIELD COUNCIL)

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APPENDICES:

Appendix 1 - Draft Internal Audit Plan 2025

Appendix 2 - Changes to Internal Audit Professional Standards

Draft Internal Audit Plan 2025

Table Six: Proposed Audits for 2024 Calendar Year

Audit Area	Type of Audit	Brief Summary / High-Level Scope	Audit Days	Links to YPO Priorities	Links to YPO Risks
Assurance Work for Wakefield Council's Section 151 Officer (40 Days)					
Creditors	Key Financial Systems	To seek assurance that there are effective arrangements for: - Creating and amending creditor details, including bank details. - Making accurate and timely payments for goods and services that have been received. - Restricting access to the creditor system to authorised officer	20	Assets Growth	SRR-07 SRR-08
Payroll	Key Financial System	To seek assurance that there are effective arrangements for: - The accurate and timely payment of staff. - Processing new starters and leavers accurately and in a timely manner. - Paying third parties (for tax and pension contributions). - Restricting access to the payroll system to authorised officers.	20	Assets Growth	SRR-07 SRR-08
Consultancy Work (5 Chargeable Days)					
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. Officers have suggested that they would appreciate support in refreshing the Anti-Fraud and Corruption Policy and the fraud risk assessment.	5 ¹	All	SRR-17
Warehouse Management System – Phase Two	Consultancy	To act in a 'critical friend' role for the YPO in ongoing warehouse management project.	5	All	SRR-10 SRR-11
Governance and Risk-Based Work (60 Days)					
Adherence to legislation – Health and Safety	Risk-Based	Precise scope to be agreed, past reviews have included: - Training (2021). - Near Misses (2022). - Fire Risk Management (2023).	15	Assets Brilliant Basics	SRR-02 SRR-12

¹ These days will not be included as part of the chargeable days for 2025.

Audit Area	Type of Audit	Brief Summary / High-Level Scope	Audit Days	Links to YPO Priorities	Links to YPO Risks
Business Planning	Risk-Based	To seek assurance that YPO business planning arrangements are adequately designed and operating effectively.	15	All	SRR-08 SRR-12
Cyber Security	Risk-Based	This is a significant area of risk, whilst YPO is seeking ISO27001 compliance. The purpose of the audit will be to seek assurances on the risk mitigations in place, following the mandatory guidance within the Global Internal Audit Standards.	15	All	SRR-05 SRR-09 SRR-18
Rebate Income	Risk-Based	To gain assurance on the adequacy of controls relating to rebate income.	15	Growth Partnerships	SRR-07 SRR-08 SRR-13
Follow-Up Reviews (10 Days)					
Implementation of High and Medium Priority Audit Recommendations	Follow-Up	To monitor progress made in the implementation of high and medium priority audit recommendations.	10	All	Dependent upon the nature of the recommendations.
Contingency Time (5 Days)					
Contingency Time	N/A	Time set aside for new and emerging risks.	5	Dependent upon the nature of the work.	Dependent upon the nature of the work.
Liaison, Consultancy and Advice (5 Days)					
Liaison, Consultancy and Advice	N/A	Development of the 2025 Calendar Year Audit Plan and update of the rolling 3-Year Audit Plan. Drafting of update reports and the Annual Internal Audit Opinion Report for 2025. Travel to, and attendance at, relevant YPO Committee's (e.g., YPO Management Committee and YPO Audit Sub-Committee). Liaison as and when required.	5	N/A	N/A
Total (excluding 10 days non chargeable time)			125		

Table Seven: Rolling Audit Plan from 2023 to 2025

Audit Area	2023	2024	2025	Additional Comments
Section 151 Assurance Work				
Asset Management		✓		The audit coverage in 2024 was a follow-up process of work from 2022.
Budgetary Control		✓		
Creditors (including ordering).	✓		✓	The coverage in 2023 just focussed on the ordering process.
Debtors	✓			
Main Accounting System.		✓		
Payroll	✓		✓	Moderate assurance was provided in 2023, as asset management was followed-up in 2024 this has been brought forward.
Consultancy Work				
Counter-fraud and Corruption Arrangements	✓	✓	✓	5 days consultancy service, at no cost to YPO. In 2024 it is anticipated that a 'critical friend' role will be used with regards to counter-fraud policies and the fraud risk assessment process.
Warehouse Management		✓	✓	This will be new consultancy work to act as a critical friend on the robustness of the programme management arrangements during Phase 2.
Governance and Risk Based Audit Work				
Adherence to Legislation – Health and Safety	✓	✓	✓	Time will be made available in each year for a review of health and safety and coverage has included: • Health and safety training. • Near misses reporting. • Fire Safety Compliance.
Business Planning			✓	This was last reviewed in 2022. An opinion of moderate assurance for both the strength of the control environment and compliance was provided.
Contractual Break Clauses				This was last reviewed in 2021 and was completed in two phases. An overall opinion of moderate assurance was provided for the strength of the control environment and good assurance for compliance.
Customer Engagement				This was last reviewed in 2020. An opinion of good assurance was provided for both the control environment and compliance.
Data Quality				This was last reviewed in 2020. An opinion of good assurance for both the strength of the control environment and compliance.
Effectiveness of Committee and Officer Group Meetings		✓		
Financial Resilience	✓			
ICT Arrangements				Last formal review in 2020, although some coverage through the 'critical friend' role for the warehouse management system project.
Rebate Income			✓	
Stock Control		✓		
Transport Logistics				The last formal review was in 2020, the audit provided an opinion of good assurance for both the strength of the control environment and compliance.
Workforce Development and Succession Planning	✓	✓		

Audit Area	2023	2024	2025	Additional Comments
Follow-up Reviews				
Follow-up work	✓	✓	✓	As required – a review will be completed of any audits with an opinion of ‘partially effective’ or ‘ineffective.’
Liaison, Consultancy and Advice				
As appropriate	✓	✓	✓	Attendance at Committees, reporting, liaison, and advice.

CHANGES TO INTERNAL AUDIT PROFESSIONAL STANDARDS

1. Background

- 1.1 The Public Sector Internal Audit Standards (PSIAS) were introduced in April 2013 and were based on the International Professional Practices Framework (IPPF).
- 1.2 The IPPF has had an extensive review and new Global Standards (the Standards) were published in January 2024. Internal audit functions have a year to prepare for implementation in January 2025.
- 1.3 For internal audit functions working within the public sector a consultation process has just commenced. This will result in the PSIAS being updated to reflect the new Standards from 1 April 2025.
- 1.4 This paper provides a summary of the key changes to the Standards, which are broken down into the following areas:
 - Domain I: Purpose of Internal Auditing.
 - Domain II: Ethics and Professionalism.
 - Domain III: Governing the Internal Audit Function.
 - Domain IV: Managing the Internal Audit Function.
 - Domain V: Performing Internal Audit Services.
 - Topical requirements.

2. Summary of the New Global Internal Audit Standards and Key Changes

Domain I: Purpose of Internal Auditing

- 2.1 This introduces a clear purpose statement, which captures the essence of what internal audit is, and how it adds most value. The purpose is stated as:

Internal auditing strengthens the organisation's ability to create, protect, and sustain value by providing the board (i.e., Audit and Governance Committee) and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal auditing is most effective when:

- *It is performed by competent professionals in conformance with the Standards, which are set in the public interest.*
 - *The function is independently positioned with direct accountability to the board.*
 - *Internal auditors are free from undue influence and committed to making objective assessments.*
- 2.2 This introduces a new concept of '**foresight**'. This is about moving from what has happened in the past (hindsight) and being in the here and now (insight), to helping an organisation prepare for the future (foresight).
 - 2.3 Providing such foresight will require good business acumen, utilising data analytics, being objective with the evidence at hand, and providing timely advice and assurance services.

- 2.4 As with many other internal audit functions, this will be a journey for Wakefield Council Internal Audit. It is an important element of our Quality Assurance and Improvement Programme Action Plan, which includes building upon existing relationships with our clients to better understand their risks and how they are managed.

Domain II: Ethics and Professionalism

- 2.5 This domain contains concepts that this Committee will be aware of, including:
- Integrity/honesty and objectivity.
 - Ethical behaviour and abiding by laws and regulations relevant to the industry and jurisdictions.
 - Competency and continual professional development.
 - Exercising due professional care.
 - Maintaining confidentiality in the use of information.
- 2.6 The domain also introduces the following two new concepts:
- Professional Courage.
 - Professional Scepticism.
- 2.7 Professional courage is exhibited by communicating truthfully and taking appropriate action, even when confronted by dilemmas and difficult situation. Our existing skills matrix will need to be updated, and a training plan developed to include ethics education. This will be supplemented by team discussions of hypothetical / real-life situations that require making ethical choices.
- 2.8 Professional scepticism will help to strengthen objectivity within the profession, ensuring that findings are based on facts, information, and logic, rather than trust or belief. The Standards state that internal auditor's must:
- Maintain an attitude that includes inquisitiveness.
 - Critically assess the reliability of information.
 - Be straightforward and honest when raising concerns and asking questions about inconsistent information.
 - Seek additional evidence to make a judgement about information and statements that might be incomplete, inconsistency, false, or misleading.
- 2.9 The Head of Internal Audit and Counter-Fraud is confident that existing arrangements are robust enough to encourage professional scepticism within the Internal Audit Team. This is through a concept of "trust but verify," guidance within the internal audit manual, and the existing review process.

Domain III: Governing the Internal Audit Function

- 2.10 This domain covers areas that this Committee will be familiar with, such as:
- Having an internal audit mandate which specifies the authority, role, and responsibilities of the internal audit function.
 - Promoting the internal audit function with the board and senior management.
 - Ensuring that the internal audit function is independent to maintain its objectivity.
 - Adequacy of resourcing, competencies, and qualifications of all staff.
 - Interactions between the chief audit executive and senior management / the board.
 - Quality assurance processes (including the external quality assessment).

- 2.11 A new matter is an explicit requirement for the relevant audit committee to engage with and oversee the internal audit function. This will be a responsibility for the Audit Committee at Wakefield Council.

Domain IV: Managing the Internal Audit Function

- 2.12 Like Domain III, this area brings together, familiar concepts into a central place. Examples include:
- Planning strategically to ensure there is a properly resourced (people and technology) internal audit function.
 - Establishing methodologies to guide the internal audit function (this is through the Internal Audit Manual and accompanying quality procedures / templates).
 - Coordination with other internal and external assurance providers and consider relying on their work.
 - Communicating effectively with key stakeholders.
 - Quality assurance processes (building on those within Domain III).
- 2.13 The subtle change is that the internal audit plan must be “dynamic and updated timely in response to changes in the organisation’s business, risk operations, systems, controls, and organisational culture.”
- 2.14 The Head of Internal Audit and Counter-Fraud would welcome a discussion on how these could be achieved in the delivery of YPO Internal Audit Plan.

Domain V: Performing Internal Audit Services

- 2.15 This domain helpfully brings together what is expected of an internal auditor when undertaking advisory or assurance work. There are no material changes, and it covers the following longstanding requirements:
- Determining the scope and objectives of the audit engagement and discussing this with the client.
 - Undertaking a preliminary risk assessment to establish the governance, risk management, and control processes of the activity under review.
 - Using applicable frameworks, guidance, and other criteria to help evaluate the effectiveness of processes.
 - Walking through these processes to verify their understanding.
 - Develop an engagement work programme to evaluate the effectiveness of the arrangements and compliance.
 - Communicating key findings throughout the audit so that there are no surprises.
 - Having sufficient evidence to support internal audit findings, which must be subject to an internal review process.
 - Communicating engagement results and monitor action plans. Note that there is no specific requirement for this to be in a formal report.
- 2.16 There is also a requirement to monitor the implementation of any recommendations.

Topical Requirements

- 2.17 The new Standards recognise the need to enhance the consistency and quality of internal audit services across the globe. It therefore includes a new concept of ‘Topical Requirements.’
- 2.18 Whilst there is no requirement to audit every topical area the Standards do require the use of associated guidance when one is audited. The purpose of this is to ensure

that all internal audit functions, irrespective of size, will base findings and conclusions on common guidance.

2.19 At the time of reporting there are the following eight topical areas:

- Assessing organisational governance.
- Cybersecurity.
- Fraud risk management.
- Information technology governance.
- Privacy risk management.
- Public sector-specific on performance audits.
- Sustainability: Environmental, social, and governance.
- Third-party management.

2.20 Positive assurance is provided that the Internal Audit Function will incorporate any topical guidance into its testing programmes. However, the work will also incorporate any additional statutory requirements.

3. What impact does this have on the YPO Audit and Governance Sub-Committee?

3.1 Whilst the PSIAS update is out for consultation, the Chartered Institute of Internal Auditors has recommended that its members should be providing updates to their relevant audit committees.

3.2 For this sub-Committee, the Head of Internal Audit and Counter-Fraud (Wakefield Council) recommends that its members seek assurances around the following areas:

- Internal Audit performance, including feedback from senior managers at YPO.
- Actions being undertaken to ensure that internal audit staff will develop relevant business acumen to help provide foresight.
- How internal auditor staff are being supported to demonstrate professional courage and exhibit professional scepticism.
- How the internal audit planning process can become dynamic to help react to new and emerging risks.
- What quality processes are in place to ensure that work which incorporates a 'topical area' incorporates the mandatory guidance produced by the Global Institute of Internal Auditors.

4. Conclusion

4.1 In the interim there are no significant barriers to implementing changes to the mandatory elements of the Global Internal Audit Standards. This should place the Internal Audit Function in a good place once the revised PSIAS have been published.

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