

Your Ref.
Our Ref
Please Reply To Kayley Sykes
Telephone No (01924) 834912
Email kayley.sykes@ypo.co.uk
Date 25 October 2018

Merran McRae - Chief Executive

Town Hall
Wood Street
Wakefield
WF1 2HQ

T 01924 305101; E chiefexec@wakefield.gov.uk
Typetalk calls welcome

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

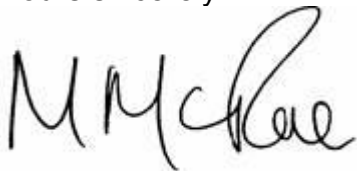
Dear Member

YPO AUDIT & SCRUTINY SUB-COMMITTEE – FRIDAY, 2 NOVEMBER 2018

It is with pleasure that I write to invite you to attend a meeting of the YPO Joint Committee Audit and Scrutiny Sub-Committee which is to be held at **10:30 am on Friday, 2 November 2018 in the YPO Headquarters** to consider the items set out in the agenda attached.

Please note there is a training session prior to the meeting at 10am entitled 'Internal and External Audit Relationship'.

Yours sincerely



Merran McRae
Secretary to the Joint Committee

As a courtesy to colleagues will you please turn off your mobile phones and pagers prior to the start of the meeting.

YORKSHIRE PURCHASING ORGANISATION AUDIT & SCRUTINY SUB-COMMITTEE

Friday, 2 November 2018

AGENDA

1. Chair's Introduction and Welcome.
2. Acceptance of Apologies for Absence.
3. Members' Declaration of Interest.
4. To note any items which the Chair has agreed to add to the agenda on the grounds of urgency.
5. To approve, as a correct record, the Minutes of the Meeting of the Audit & Scrutiny Sub-Committee held on 25th May 2018. (Pages 1 - 3)
6. Internal Audit Plan Update. (Pages 5 - 11)
7. Year End Closedown Timetable. (Pages 13 - 15)
8. Appointment of Auditors. (Pages 17 - 18)
9. Exclusion of the Public and Press
“That the public and press be excluded from the meeting during consideration of agenda items 10 - 13 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended”.

IN PRIVATE

10. IT Programme Update (Link). (Pages 19 - 24)
11. Warehouse & Logistics Strategy. (Pages 25 - 34)
12. Risk Update. (Pages 35 - 37)
13. Risk Appetite. (Pages 39 - 40)

YORKSHIRE PURCHASING ORGANISATION**AUDIT & SCRUTINY SUB-COMMITTEE****FRIDAY, 25TH MAY 2018****Present:** The Chair: Councillor Warburton (Bradford)

Councillors: Barnard (Barnsley), Vjestica (Rotherham), Scullion (Calderdale) and Cuthbertson (York).

49.	CHAIR'S INTRODUCTION & WELCOME
	Councillor Warburton welcomed all parties to the meeting.
50.	ACCEPTANCE OF APOLOGIES FOR ABSENCE
	Apologies for absence submitted prior to the meeting were accepted on behalf of Councillors Gardiner (Barnsley), Dadd (North Yorkshire), Sweeney (Wigan), Nightingale (Doncaster), & Mather (Kirklees).
51.	MEMBERS DECLARATION OF INTEREST
	No declarations of interest were made.
52.	URGENT ITEMS
	No urgent items were raised by Members. Councillor Warburton shared that he would like Officers to provide a GDPR update during the agenda today.
53.	PREVIOUS MINUTES (AUDIT & SCRUTINY SUB COMMITTEE)
	The minutes of the YPO Audit & Scrutiny Sub-Committee held on 16 th February 2018 were approved as a correct record.
54.	EXTERNAL AUDIT REPORT
	Consideration was given to the External Audit Report from KPMG which provided Members with key findings from the recent audit. Rashpal Khangura (KPMG) shared that the report gives a clean audit and clean value for money conclusion. Rashpal thanked YPO for their support during the audit process and noted that it had been a smooth process and the finance team were very well prepared. Resolved – (1) That the report be noted.
55.	AUDITED STATEMENT OF ACCOUNTS
	Consideration was given to a report of the Head of Finance which detailed the 2017 Audited Statement of Accounts. The Audited Statement of Accounts have been externally audited and the auditors anticipate an unqualified opinion.

	<p>Both Officers and Members offered their thanks to KPMG for their assistance and hard work in completing the accounts.</p> <p>Resolved – (1) That the completion of the Audited Statement of Accounts for 2017, attached as Appendix 2, be noted.</p> <p>(2) That the Members of the Audit & Scrutiny Sub Committee recommend sign off of the accounts to the Chair of the Management Committee, Councillor Shaw.</p>
56.	AUDIT & SCRUTINY SUB COMMITTEE TERMS OF REFERENCE & WORK PROGRAMME
	<p>Consideration was given to the report of the Managing Director which provided members with an overview of the work scheduled for the 2018/19 committee cycle.</p> <p>The report also proposed the Terms of Reference, Principal Agenda Items, 2018/19 Meeting Schedule and Training Plan.</p> <p>Resolved – (1) That the report be noted and submitted to the Annual General Meeting June.</p> <p>(2) That the Terms of Reference be updated to reflect that three Audit & Scrutiny Sub Committee meetings will take place per Committee cycle.</p>
57.	GOVERNANCE REVIEW
	<p>Consideration was given to a report of the Managing Director entitled Governance Review.</p> <p>The report explained that YPO has various governance policies and these are reviewed at least annually by the Board, any changes to these policies are brought to Management Committee for approval.</p> <p>The report detailed when each policy was last reviewed and any proposed action by the Board.</p> <p>Resolved - (1) That the Audit & Scrutiny Sub Committee recommends to the Management Committee the proposals outlined in table 1.2.</p>
58.	INTERNAL AUDIT PROGRESS
	<p>Consideration was given to a report which detailed the Internal Audit's progress and work during the period January to March 2018 and to note the contents therein.</p> <p>Resolved – (1) That the report be noted.</p>
59.	LEAD AUTHORITY SLA COSTS
	<p>Consideration was given to the report of the Head of Finance, which provided Members with a breakdown of costs made to the Lead Authority (Wakefield Metropolitan District Council) in the 2017 financial year.</p>

	<p>All services provided by the Lead Authority are provided in accordance with the Management Agreement and established Service Level Agreements.</p> <p>Resolved – (1) That the report be noted.</p>
60.	RISK APPETITE – FOR INFORMATION ONLY
	<p>The Executive Director (Paul Smith) shared a report and presentation to Members to outline that the further work proposed will help provide a better understanding of YPO's risk appetite, and how it influences YPO's risk management arrangements.</p> <p>The presentation highlighted what YPO's current Risk Management Policy and Strategic Framework outlines.</p>
61.	EXCLUSION OF THE PUBLIC AND PRESS
	<p>Resolved – That the public and press be excluded from the meeting during consideration of agenda items 14 to 16 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended.</p>
62.	IT PROGRAMME UPDATE (EXEMPT – PARAGRAPH 3)
	<p>Consideration was given to the report of the Head of Business Change & IT which provided Members with an update on the current project dossier.</p> <p>The report summarised the major risks and mitigation for each project and Members were informed that the Board review the activity and progress on the IT Programme on a monthly basis at the Programme Board Meeting.</p> <p>Resolved – (1) That the report be noted.</p>
63.	PROCUREMENT SERVICES STRATEGY (EXEMPT – PARAGRAPH 3)
	<p>The Executive Director (Paul Smith) shared the YPO Procurement Strategy for 2018 and provided Members with an update on current activity.</p> <p>YPO continues to grow its Procurement Services department which is now a significant revenue contributor to the organisation. The growth of the function is underpinned by five strategic key themes:</p> <ul style="list-style-type: none"> • Training and development • Category & Market Intelligence • Commercial Results • Social Values & the Environment • Suppliers & Supply Chain <p>Resolved – (1) That the report be noted.</p>
64.	DATE AND TIME OF NEXT MEETING
	<p>Resolved – (1) That the next meeting of the YPO Audit & Scrutiny Sub Committee is proposed to be held on 2nd November 2018.</p>

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YPO
AUDIT & SCRUTINY SUB-COMMITTEE
TO BE HELD ON
2ND NOVEMBER 2018

TITLE: PROGRESS ON THE 2018 INTERNAL AUDIT PLAN

REPORT OF: SERVICE MANAGER FOR INTERNAL AUDIT & RISK

1 PURPOSE OF REPORT

- 1.1 This report is produced by the Service Manager for Internal Audit & Risk to provide Members with details of Internal Audit's performance and work since the last meeting of the Audit & Scrutiny Sub-Committee on the 23 May 2018.

2 RECOMMENDATION

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

3 BACKGROUND INFORMATION

- 3.1 The report attached at Appendix A records details of audit work undertaken, and reports issued, between 1st January 2018 and 30 September 2018.
- 3.2 In line with agreed protocols, a further progress report will be submitted to the next meeting of the Audit & Scrutiny Sub-Committee.

4 STRATEGIC IMPLICATIONS

- 4.1 Internal Audit's work includes involvement at a strategic level. A number of audits in the 2018 Internal Audit Plan link to various YPO strategic risks.

5 FINANCIAL IMPLICATIONS

- 5.1 There are no specific financial implications associated with this report. The cost of the audit work is met from the 2018 budget approved by YPO Members.

6 LEGAL IMPLICATIONS

- 6.1 There is a statutory requirement for an Internal Audit function within YPO, as set out in the Accounts and Audit Regulations and implied within the Local Government Act 1972, relating to the responsibility of a designated statutory s151 Finance Officer to gain assurance on the proper administration of the Organisation's financial affairs.

7 EQUALITY IMPLICATIONS

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

8 RISK IMPLICATIONS

- 8.1 Internal Audit makes a significant contribution to providing management and Members with assurances on the Organisation's systems of internal control. Its contribution assists in identifying areas for improvement in control in the management of key risks.
- 8.2 In line with the terms of reference for the Audit & Scrutiny Sub-Committee, consideration of this report contributes to fulfilling its assurance role, in the ongoing review of internal controls and overall risk management arrangements.

CONTACT OFFICER:

Jason Brook, Service Manager for Internal Audit & Risk (Wakefield Council)
Telephone No: 01924 306054
E-mail address: jbrook@wakefield.gov.uk

Internal Audit Progress Report As At 30 September 2018

REPORT OF: Jason Brook Service Manager for Internal Audit & Risk
 (Wakefield Council)
 Email address: jbrook@wakefield.gov.uk

PURPOSE OF REPORT

1. The purpose of this report is to:
 - 1.1 Present to the YPO Audit & Scrutiny Sub-Committee details of Internal Audit’s performance and work since the last meeting of the Audit & Scrutiny Sub-Committee on the 23rd May 2018.
 - 1.2 Highlight any significant issues arising from audit work and the current position on implementing agreed actions.
 - 1.3 Consider future audit work.

PROGRESS ON THE 2018 AUDIT PLAN

2. Three Internal Audit reports have been issued since the last meeting of the Audit & Scrutiny Sub-Committee in May 2018, as shown below:

Report	Audit Opinion in Report / Main Messages in Report	Actions Taken By YPO
2017 Audit Plan		
IT Change Control (Report issued 11/5/18)	<p style="text-align: center;">Mostly Effective</p> <p>The audit identified effective levels of controls to minimise risks such as the production of progress reports, the use of Active Directory to authorise users, regular system backups and the execution of varied testing plans. The following areas for improvement were identified:</p> <ul style="list-style-type: none"> • Network passwords were weak and required strengthening (already actioned). • There were 17 System Administrator accounts on the CRM system, which appeared excessive. 	<p>No further action required.</p> <p>As recommended we did assess the current administrator accounts and reduced where possible, we further rationalised and have introduced lower level administrator accounts specific to the usage required. Further rationalisation is planned when some software/application products have been assessed.</p>

Report	Audit Opinion in Report / Main Messages in Report	Actions Taken By YPO
<p>Workforce Skills</p> <p>(Report issued 11/7/18)</p>	<p>Mostly Effective</p> <p>Generally it was found that this area was well controlled with clear evidence of policies and procedures in place governing a wide range of HR issues.</p> <p>An area for improvement was identified where training records were held in a number of different network locations, and by different people. The main risks arising from this are that training records may be incomplete or inaccurate.</p>	<p>Action Plan not returned yet - a verbal update will be provided at the meeting.</p>
2018 Audit Plan		
<p>Adherence to Legislation (GDPR)</p> <p>(Report issued 5/7/18)</p>	<p>Mostly Effective</p> <p>The opinion reflects the fact that arrangements in place to meet the requirements of GDPR were seen to be generally sound. A number of actions were still to be addressed across the organisation in the next few months, however these have been clearly identified and prioritised. As such while YPO are yet to fully comply with the requirements of GDPR, overall the organisation was able to demonstrate significant progression towards full compliance with GDPR.</p>	<p>All recommendations arising from the audit were accepted and allocated to individuals with clear timescales for completion.</p>

4. At the date of writing this report, the following Internal Audit work is ongoing:

2018 Audit Plan

- 4.1 An audit of Anti-Fraud and Bribery Arrangements has recently been undertaken and is in the process of being finalised, with a view to reporting the outcomes to management by the end of October.
- 4.2 Consultancy, advice and support work as requested to the Link programme relating to the installation of an ERP (enterprise resource planning) system.
5. In terms of Internal Audit's performance against its own local Key Performance Indicators, the position as at 30 September 2018 is summarised below:
- 5.1 A three year Audit Plan was agreed at the February meeting of the Audit & Scrutiny Sub-Committee covering 2018 – 2020. This is the first year of the three year plan and at the present time, it is envisaged that the individual reviews detailed in the plan will be completed by the 31 December 2018. Two reviews

were scheduled for the first quarter of the plan year, both of which are now completed (as detailed in paragraph 2 above).

- 5.2 One client survey has been returned since the last report. This has been returned with an overall opinion of 'Very Good' (Adherence to Legislation - GDPR).
- 5.3 All Internal Audit work is subject to a quality control process, including formal review of work by the appropriate level of audit management.

WORK PRIORITIES FOR THE NEXT FEW MONTHS

- 6. The priorities for Internal Audit up to the end of December 2018 will be the commencement and finalisation of the following audits detailed for review:
 - 6.1 Anti-fraud and Bribery arrangements (work ongoing)
 - 6.2 Stock Control (incorporating Warehouse Management System)
 - 6.3 Main financial systems – Main Accounting system and Budgetary Control
 - 6.4 Risk Management Arrangements - Review of Strategic risk to be agreed with management.
 - 6.5 Consultancy, advice and support work to the Link programme will continue as requested.
 - 6.6 Follow up work will be undertaken relating to high priority recommendations arising from previous audit reviews.

OUTSTANDING REPLIES TO AUDIT REPORTS

- 7. As detailed in the progress report to the Audit & Scrutiny Sub-Committee in May 2018, there were outstanding replies to two audit reports. Replies have now been received for both reports and are detailed below:

Report	Audit Opinion In Report / Main Messages In Report	Actions Taken By YPO
<p>YPO Limited Company</p>	<p>Mostly Effective</p> <p>Detailed findings were reported in the previous report, however the main area for improvement was:</p> <ul style="list-style-type: none"> • Arrangements within the Limited Company relating to strategic risks; the Fraud Risk Assessment and the Bribery Risk Assessment had not been reviewed since 2016 and therefore needed to be 	<p>The YPO Procurement Holdings Strategic Risk Register, Fraud & Bribery Risk Assessments have been fully reviewed and updated and combined into one new format which will be presented to the Limited Company Board and Management Committee in June 2018.</p>

Report	Audit Opinion In Report / Main Messages In Report	Actions Taken By YPO
	revisited and updated.	
Link Programme	<p style="text-align: center;">Audit Opinion – N/A</p> <p>Internal Audit have liaised with YPO throughout 2018 on the LINK programme. This has notably been through regular meetings with YPO's Programme Manager where Internal Audit has acted in a critical friend role to gain an awareness of the programme and challenge aspects of its development. It has also aimed to support the Programme Manager by providing independent advice where this has been sought. The Director has been informed in writing as to any outcomes from audit's work as appropriate. Going forward as the development reaches a critical stage, Internal Audit will be seeking assurance on the ability for the project to hit projected timescales for go live, as well as the adequacy of permissions and security settings within LINK itself.</p>	There is no action plan or reply due in relation to this report.

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YPO
AUDIT & SCRUTINY SUB COMMITTEE
TO BE HELD ON
2ND NOVEMBER 2018

TITLE: CLOSE OF ACCOUNTS AND AUDIT 2018

REPORT OF: FINANCIAL CONTROLLER / HEAD OF FINANCE

1. PURPOSE OF REPORT

- 1.1 To approve contents of the 2018 closedown timetable and agree to the arrangements for the 2018 Statement of Accounts.

2. RECOMMENDATIONS

- 2.1 That the timetable mentioned in appendix 1 is approved.

3. BACKGROUND INFORMATION

- 3.1 The Y.P.O. Management Committee approved the continuation of an external audit on 18th March 2016, following a report by the section 151 officer of the Lead Authority. The decision was that "Y.P.O. continues to prepare, each year, a statement of accounts in accordance with the C.I.P.F.A. Code of Practice that is subject to an external audit".
- 3.2 Consequently, this will be a non-statutory audit meaning that compliance with the Accounts and Audit Regulations 2015 is not mandatory.
- 3.3 Following a tender exercise in 2016, K.P.M.G were appointed as our external auditors for the 2016 and 2017 financial years, and the option to extend this for an additional to cover the 2018 financial year has been taken. Through discussions with KPMG the closedown timetable attached at appendix 1 has been provisionally agreed.

SERVICE DIRECTOR:

Paul Smith.
Executive Director & Deputy Managing Director
Yorkshire Purchasing Organisation
41, Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 834969
E-mail address: paul.smith@ypo.co.uk

CONTACT OFFICER:

Steve Hall
Head of Finance

Yorkshire Purchasing Organisation
41, Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 821775
E-mail address: steven.hall@ypo.co.uk

APPENDIX

Appendix 1 - Closedown timetable 2018 and Audit plan key dates.

Appendix 1 – Closedown timetable 2017 and Audit plan key dates

Task	Deadline	Responsible
*Interim audit commences	03/12/2018	KPMG / YPO
*Interim audit finishes	14/12/2018	KPMG / YPO
Close down of 2018 year end	21/12/2018	YPO
Completion of 2018 Annual Governance Statement	11/01/2019	YPO / WMDC
Receipt of Pensions data	11/01/2019	YPO
Pre audit statement agreed with s151 officer	08/02/2019	YPO / WMDC
Pre audit statement to Scrutiny & Audit Sub Committee	15/02/2019	Scrutiny & Audit Sub Committee
*Production of KPMG working file	01/03/2019	YPO
*Audit commences (checking process)	12/03/2019	KPMG / YPO
*Audit finishes (checking process)	23/03/2019	KPMG / YPO
Letter of representation & report to those charged with governance	10/04/2019	KPMG / YPO
Audited statement of accounts agreed with s151 officer	10/04/2019	YPO / WMDC
*Audit opinion and VFM conclusion	19/04/2019	KPMG
Approval of the statement of accounts	24/05/2019	Scrutiny & Audit Sub Committee

*All audit dates are provisional at this stage as we are in the process of confirming these with KPMG

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YPO
AUDIT & SCRUTINY SUB COMMITTEE
TO BE HELD ON
2ND NOVEMBER 2018

SUBJECT: APPOINTMENT OF AUDITOR - 2018 FINANCIAL YEAR AND BEYOND

REPORT OF: HEAD OF FINANCE

1. PURPOSE OF REPORT

- 1.1 To inform and remind Members that the appointment of an external auditor in respect of the 2018 financial year has already been taken by the decision to roll over the previous contract with KPMG by one year. This is the final year covered by this contract and YPO will therefore carry out a tender process during 2019 to appoint an external auditor for the 2019 financial year.

2. RECOMMENDATION

- 2.1 It is recommended that the report is noted.

3. BACKGROUND INFORMATION

- 3.1 The Local Audit and Accountability Act 2014 indicated that Joint Committees do not require a statutory external audit. However, the YPO Management Committee approved a recommendation from the Lead Authority, for reasons to support effective corporate governance, that YPO should continue to prepare a statement of accounts and be subject to an external audit.
- 3.2 Following the demise of the Audit Commission, YPO was in a position that there was no external auditor in place for the 2016 financial year and beyond.
- 3.3 Consequently, a tender exercise was undertaken in 2016 with a view to appointing an external auditor for the 2016 and 2017 financial years. YPO included an option to extend the contract for a third year into 2018.
- 3.4 The successful contractor was K.P.M.G. and they have agreed to the proposed extension to the contract for the 2018 financial year.

4. STRATEGIC IMPLICATIONS

- 4.1 The tender exercise mentioned above was undertaken as an interim arrangement until the Local Government Association (LGA) found a more permanent replacement for the Audit Commission.

- 4.2 The LGA have now established a company called Public Sector Audit Appointments to carry out external audits for Local Government, the Police and National Health Service and most eligible bodies have opted in to that arrangement.
- 4.3 However, Public Sector Audit Appointments Limited will not be available to undertake audits in respect of Joint Committees and recommend that such bodies make their own arrangements. Consequently, YPO will be required to undertake a further tendering exercise for the 2019 financial year and beyond.

5. FINANCIAL IMPLICATIONS

- 5.1 It is not anticipated that there will be a significant additional cost arising from this report.

6. LEGAL IMPLICATIONS

- 6.1 There are no legal implications arising from this report.

7. EQUALITY IMPLICATIONS

- 7.1 There are no equality implications arising from this report.

8. RISK IMPLICATIONS

- 8.1 The risk of ineffective corporate governance has been mitigated by the decision to have a voluntary external audit.

SERVICE DIRECTOR: PAUL SMITH, EXECUTIVE DIRECTOR & DEPUTY MANAGING DIRECTOR

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 834969
E-mail address: paul.smith@ypo.co.uk

CONTACT OFFICER: STEVEN HALL, HEAD OF FINANCE

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 821775
E-mail address: steven.hall@ypo.co.uk

Agenda Item No 10

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Agenda Item No 11

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Agenda Item No 12

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Agenda Item No 13

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