

Merran McRae - Chief Executive

Your Ref.
Our Ref
Please Reply To Kayley Sykes
Telephone No (01924) 834912
Email kayley.sykes@ypo.co.uk
Date 07 February 2018

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, 16 FEBRUARY 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, 16 February 2018 in the YPO Headquarters** to consider the items set out in the agenda attached.

Please note that a Risk Management training session will be held immediately prior to the meeting at 10am.



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, 16 February 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 3rd November 2017. (Pages 1 - 3)
6. Risk Management Process. (Pages 5 - 20)
7. Pre-Audit Statement of Accounts. (Pages 21 - 60)
8. Internal Audit Annual Report 2017. (Pages 61 - 71)
9. Draft Internal Audit Plan 2018 - 2020. (Pages 73 - 84)
10. Annual Governance Review & Statement. (Pages 85 - 112)
11. Strategic Risk Register. (Pages 113 - 133)
12. Fraud and Bribery Risk Assessments. (Pages 135 - 185)
13. Exclusion of the Public and Press
“That the public and press be excluded from the meeting during consideration of agenda items 14 - 20 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended”.

IN PRIVATE

14. Internal Audit Action Update. (Pages 187 - 188)
15. Financial Procedure Rules & Standing Orders relating to contracts. (Pages 189 - 205)
16. SLA Costs for Financial Services from Wakefield Council. (Pages 207 - 209)
17. IT Programme Update. (Pages 211 - 215)
18. Commercial Strategy. (Pages 217 - 219)
19. Stock Losses. (Pages 221 - 228)
20. Warehouse & Logistics Strategy. (Pages 229 - 252)

21. Date of next meeting.

The next meeting of the YPO Audit & Scrutiny Sub Committee will be held on 25th May 2018 at 10:30am.

A13963

This page is intentionally left blank

YORKSHIRE PURCHASING ORGANISATION

AUDIT & SCRUTINY SUB-COMMITTEE

FRIDAY 3RD NOVEMBER 2017

Present: The Chair: Councillor Warburton (Bradford)

Councillors: Mather (Kirklees), Vjestica (Rotherham), Barnard (Barnsley), Dadd (North Yorkshire), Scullion (Calderdale)

16.	CHAIR'S INTRODUCTION & WELCOME
	Councillor Warburton welcomed all parties to the meeting. Councillor Warburton introduced R McWilliam as the new Independent Director.
17.	ACCEPTANCE OF APOLOGIES FOR ABSENCE
	Apologies for absence submitted prior to the meeting were accepted on behalf of Councillors Gardiner (Barnsley), Byron (Knowsley), Sweeney (Wigan), Pillai (Calderdale), and Asif (Kirklees).
18.	MEMBERS DECLARATION OF INTEREST
	No declarations of interest were made.
19.	URGENT ITEMS
	No urgent items were raised by Members.
20.	PREVIOUS MINUTES (AUDIT & SCRUTINY SUB COMMITTEE)
	The minutes of the YPO Audit & Scrutiny Sub-Committee held on 15 th September 2017 were approved as a correct record.
21.	INTERNAL AUDIT PLAN PROGRESS
	Members gave consideration to a report which detailed the Internal Audit's progress and work during the period September to October 2017 and noted the contents therein.
	Julie Gill, from Wakefield Council's Internal Audit, highlighted what work is currently being undertaken, where action has been taken by YPO since the last meeting, and noted work priorities.
	Julie Gill noted that the Anti-Fraud and Bribery Audit will be undertaken in next year's plan.
	Resolved – (1) That the report be noted.
22.	PLANNING PROCESS FOR THE NEXT INTERNAL AUDIT
	Members gave consideration to a report produced by the Interim Head of Internal Audit & Risk, the purpose of which is to provide Members with information relating to the next annual Internal Audit Plan. The report outlines

	<p>what the planning process will be, and also includes details of potential auditable areas.</p> <p>A discussion was held around GDPR and how this will be managed by Audit. J Gill noted that if this is something of particular interest it can be included in the Audit plan reported to Members.</p> <p>Members raised questions and were satisfied with the responses given by Officers.</p> <p>Resolved – (1) That the report be noted.</p>
23.	YEAR END CLOSEDOWN TIMETABLE
	<p>Consideration was given to a report of the Head of Finance which informed Members of the contents of the 2017 closedown timetable.</p> <p>Resolved – (1) That the Year End Closedown Timetable and plan be noted.</p>
24.	EXTERNAL AUDIT PLAN
	<p>Consideration was given to the KPMG External Audit Plan which covers the work occurring to the end of December 2017. R Khangura of KPMG highlighted the key headlines throughout the report.</p> <p>Resolved – (1) That the External Audit Plan be noted.</p>
25.	EXCLUSION OF THE PUBLIC AND PRESS
	<p>Resolved – That the public and press be excluded from the meeting during consideration of agenda items 11 and 12 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>
26.	RISK MANAGEMENT UPDATE
	<p>Members considered a report of the Executive Director which recommends deferring the reporting of the Strategic Risk Register to the Audit & Scrutiny Sub-Committee in February 2018.</p> <p>Resolved – (1) That the report be noted.</p> <p>(2) That Risk Registers will be brought to the Audit & Scrutiny Sub-Committee on 16th February 2018 for full review.</p>
27.	IT PROGRAMME UPDATE
	<p>Consideration was given to the IT Programme Update report which provided Members with an update on the progress of the implementation of the ERP Business Case, and the associated risks.</p> <p>The update contained a highlight report which documented the progress between July and October 2017.</p>

Agenda Page 3

	<p>Members raised a number of questions and were satisfied with the responses given by Officers.</p> <p>Resolved – (1) That the report be noted.</p> <p>Councillor Warburton thanked J Copley for her work for YPO over the years, and wished her well in retirement.</p>
28.	<p>DATE AND TIME OF NEXT MEETING</p> <p>Resolved – (1) That the next meeting of the YPO Audit & Scrutiny Sub Committee will be held on 16th February 2018.</p>

This page is intentionally left blank



YPO

AUDIT & SCRUTINY SUB-COMMITTEE

TO BE HELD ON

16TH FEBRUARY 2018

TITLE: RISK MANAGEMENT POLICY & STRATEGIC FRAMEWORK

REPORT OF: EXECUTIVE DIRECTOR

1. BACKGROUND INFORMATION

1.1 YPO has an established Risk Management Policy and Strategic Framework (Appendix 1) that reflects best practice in risk management, and sets out the quantitative and qualitative techniques we use to identify, evaluate and manage risks, including:

- A risk management lifecycle (objective, control, risk)
- FIRM (financial, infrastructure, reputational, marketplace) risk classification
- A 3 x 3 (high / red, medium / amber, low / green) risk matrix
- Clear risk treatment options (tolerate, treat, transfer, terminate) that link into internal audit, insurance, business continuity and other means of mitigating risk
- Strategic and operational risk registers that are reviewed and reported regularly

1.2 YPO's risk management framework was last reviewed in July 2016. Since then risk management has become more established in several areas, most notably in relation to business planning (Members now receive a separate business planning risk register, most recently in November 2017) and information risk. In 2016 we allocated the role of Senior Information Risk Owner (SIRO) to the Executive Director and implemented a number of new policies including a retention policy and privacy impact assessments to help us to manage risks to personal and commercial data.

1.3 A recent review of the risk management framework shows that the principles and practices we have adopted are still relevant and can be extended to emerging risk areas, such as information risk. At this time, no changes are proposed to the existing framework. However, risk management as a discipline is evolving and improving all the time, developing new techniques and guidance. Work is planned in 2018 to keep pace with these developments and where they will be beneficial to YPO any proposed changes will be brought back to the Audit & Scrutiny Sub-Committee.

2. STRATEGIC IMPLICATIONS

2.1 Risk management is a key element of our strategic planning and decision making.

3. FINANCIAL/RESOURCE IMPLICATIONS

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

4. LEGAL IMPLICATIONS

4.1 There are no legal implications arising from this report.

5. RISK IMPLICATIONS

5.1 The risk management framework sets out YPO's approach to identifying, evaluating and managing risk.

6. CONSULTATION

6.1 No consultation was required for this report.

7. OPTIONS APPRAISAL

7.1 None, we must maintain an effective risk management framework.

8. RECOMMENDATIONS

8.1 The Audit & Scrutiny Sub-Committee note the Risk Management Policy and Strategic Framework attached at Appendix 1.

9. REASONS FOR RECOMMENDATIONS

9.1 Risk management is a key element of our governance and system of internal control. The framework sets out our approach to risk management at YPO.

SERVICE DIRECTOR: PAUL SMITH, EXECUTIVE DIRECTOR

YPO
41 Industrial Park
Wakefield
WF2 0XE

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

CONTACT OFFICER: ANDREA HIRST-GEE, INTERIM RISK & COMPLIANCE MANAGER

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 821740
E-mail address: andrea.hirst-gee@ypo.co.uk

APPENDIX

Appendix 1: Risk Management Policy & Strategic Framework updated Jan 2018

**Risk Management Policy
&
Strategic Framework**

Document Control Page

Document Type	Policy	
Document Ownership	Corporate Governance	
Title of Document	Risk Management Policy and Strategic Framework	
Status	FINAL	
Reference number	Pol/FN004/v5	
Controlled by	Managing Director	
Created/ reviewed by / date:	Reviewed by Interim Risk & Compliance Manager	Jan 2018
Agreed by / date:	Board, Audit Sub Committee and Management Committee	Feb 2018
Checked for compliance with contract standing orders and financial procedures / date:		Jan 2018
Agreed with Unison / date:	N/A	
Maintained by	Risk & Compliance Manager	
Publication date	Feb 2018	
Next Review date	Feb 2019	
Current Version	V5	
Distribution	Public / Website / Intranet / SharePoint	
Replaces document	V3	

Once printed, this document is uncontrolled. Please refer to the current version on the Intranet.

Contents

Section 1 - Background

Section 2 - Risk Management Policy Statement

Section 3 - Risk Management Strategic Framework

Section 4 - Responsibility for Risk Management

Section 5 - The Approach to Risk Management

Section 6 - The Risk Management Process

Section 7 - Resourcing

Section 8 – Monitoring and Reporting Arrangements

Section 9 – Implementation and Policy Review

1 Background

1.1 The business undertaken by YPO represents an environment within which there are substantial risks of a strategic and operational nature. Risk Management is the process by which risks are identified, evaluated and controlled and is a crucial element of good corporate governance. The Policy Statement and Strategic Framework contained within this document, provide a framework within which YPO will manage risk.

2 Risk Management Policy Statement

2.1 YPO recognises that it has a responsibility to manage risk and supports a structured approach to this by adopting, implementing and maintaining a risk management strategy. In this way YPO will better achieve its corporate objectives and enhance the value of the services it provides to its stakeholders. Good risk management will help identify and deal with the key strategic risks facing an organisation in the pursuit of its goals.

2.2 The Risk Management Policy of YPO is fully committed to the effective management of risk and adoption of best practices in the identification, evaluation, control and mitigation of risk in order to:

- Raise the awareness of the need for risk management.
- Integrate risk management into the operational and cultural development of the organisation.
- Demonstrate best practice in risk management.
- Eliminate or reduce risk to an acceptable level.
- Anticipate, plan for and respond to changing requirements.
- Prevent injury and damage and reduce the costs associated with the failure to deal effectively with risk.

2.3 By adopting this Risk Management Policy & Strategic Framework, YPO recognises risk management as a key function in helping to ensure it achieves its overall aims and objectives. Through understanding the nature of risks, YPO views risk management as an opportunity for further improvement and enhanced performance, as opposed to risk management being treated as a threat to the organisation. Performance management and financial management do not sit in isolation to risk management as they can be directly affected by strategic and operational risks; hence, it is a coordinated approach that ensures YPO achieves its aims and objectives.

3 Risk Management Strategic Framework

3.1 Risk Management forms a key element of YPO's Governance Framework, which is an integrated framework of systems and processes to effectively manage and monitor assurance on the adequacy and effectiveness of risks and controls. Identifying and managing risk is essential to effectively managing performance, as well as planning and shaping strategic planning.

3.2 The Risk Management Strategic Framework sets out the key issues to be addressed in achieving the requirements of YPO's Risk Management Policy. The main aspects covered in the framework are:

- Responsibility for Risk Management
- Approach and Resourcing for Risk Management
- Monitoring and Reporting Arrangements
- Implementation of Policy and Review

3.3 At the strategic level, YPO shall foster a commitment to a risk management philosophy by ensuring:

- The support of Members and Senior Management is secured.
- Consultative processes across the organisation are used to develop and enhance policies, procedures and guidelines.
- People are encouraged and recognised for identifying risks that are not being managed and for identifying opportunities for improvement.
- A blame culture is avoided, with Officers and Members recognising that minor errors will occur and that lessons will be learnt from them.
- Action is taken to align individual and organisational expectations for risk management.
- Open communication processes are adopted to obtain and share information, in particular to avoid reoccurrence of problems.
- Action is taken to ensure that roles and responsibilities in risk management are understood and embedded in employee work plans.
- Strategic and operational risks are identified and considered and logged in a Risk Register.

4 Responsibility for Risk Management

4.1 Responsibility for effective Risk Management rests with all employees and with the Elected Members of YPO. Members have ultimate responsibility for Risk Management because risks threaten the achievement of organisational aims and objectives, which could ultimately affect YPO's ability to deliver and sustain credible operations. Members have a responsibility for understanding the strategic risks that YPO faces and to decide how these risks should be managed.

4.2 To deliver effective Risk Management, the following roles will be performed:

Management Committee

- a) To exercise leadership.
- b) To consider and adopt current and future Risk Management policies and strategies aiming for continual improvement.
- c) To acknowledge Risk Management as a strategic and operational tool to further YPO's objectives in line with the organisations strategy.
- d) To promote the appropriate culture and attitude essential for successful implementation and robust, ongoing Risk Management processes.
- e) To determine risk reporting arrangements.

Audit & Scrutiny Sub-Committee

- a) Risk Management to be a standing agenda item in line with its terms of reference.
- b) To monitor and challenge the implementation of YPO's Risk Management Policy and Strategic Framework and the content of the organisations Strategic Risk Register.
- c) To scrutinise, where appropriate, individual strategic risks at its meetings to assess the control mechanisms and action plans in place to manage such risks.

Directors / Board

- a) To ensure YPO manages all risk effectively.
- b) To identify and consider strategic risks and take ownership of the Strategic Risk Register.
- c) To demonstrate effective management of risks within their individual areas of responsibility and provide assurance to Members when required.
- d) To communicate and involve employees in Risk Management and in Risk Management Planning as part of the strategic planning process.
- e) To receive and review quarterly reports on Risk Management.
- f) To ensure that YPO's activities, policies and procedures are conducted in a manner which considers the risks associated with such actions.

Senior Leadership Team

- a) To champion the management of risks and pro-actively work to ensure the overall Risk Management strategy is achieved.
- b) To demonstrate effective management of risks within their individual areas of responsibility and report to their respective Director.
- c) To identify and consider operational risks and take ownership of the Operational Risk Register for their respective area.
- d) To ensure that YPO's activities, policies and procedures are conducted in a manner which considers the risks associated with such actions.

WMDC Internal Audit

WMDC Internal Audit plays an important part in YPO's arrangements for achieving effective Risk Management through:

- a) Challenging and providing assurance on Risk Management processes, risk identification, evaluation, and the effectiveness of controls through a planned programme of risk based audit reviews determined within a formal risk based planning process.
- b) Provide ongoing support / direction and objective challenge on the extent to which risks are being managed and the effectiveness of controls.

Managing Director or delegated Officer

The role of the Managing Director or delegated Officer is to monitor and challenge the implementation of the policy to ensure effective Risk Management is delivered as well as:

- a) Provide professional support, advice and guidance across YPO on all aspects of Risk Management.
- b) Ensure there is an integrated and consistent approach to the management of risks, including avoiding duplication of effort, through close working relationships with all relevant staff.
- c) Encourage managers and others to manage risk effectively.
- d) Produce quarterly reports to Board and report to Audit Sub-Committee as appropriate in relation to the Strategic Risk Register.

All Employees

- a) To manage risk effectively in their job and report opportunities / risks to their Manager.
- b) To abide by policies and procedures forming YPO's Governance Arrangements.
- c) To help to identify, and minimise risks within their immediate area of control or raise the issue with a line manager or others who can take action to manage the risk.

Collective Responsibility

It is the responsibility of every Member and Officer to ensure that YPO's activities, policies and procedures are conducted in a manner which considers the risks associated with such actions.

It is the responsibility of all to help to identify, and minimise risks within their immediate area of control or raise the issue with a line manager or others who can take action to manage the risk.

5 The Risk Management Process

- 5.1 The Risk Management process is fundamental to the successful delivery of YPO's operations. The process, as shown in Diagram 1, ensures that risks are identified, analysed and evaluated and where necessary treated through mitigating actions. Relevant stakeholders are consulted with at each stage and the process is under a constant cycle of monitoring and review.
- 5.1 YPO's approach to Risk Management requires that risks should be systematically identified and managed in the most cost-effective way using the resources available. This includes both strategic and operational risks as defined below:

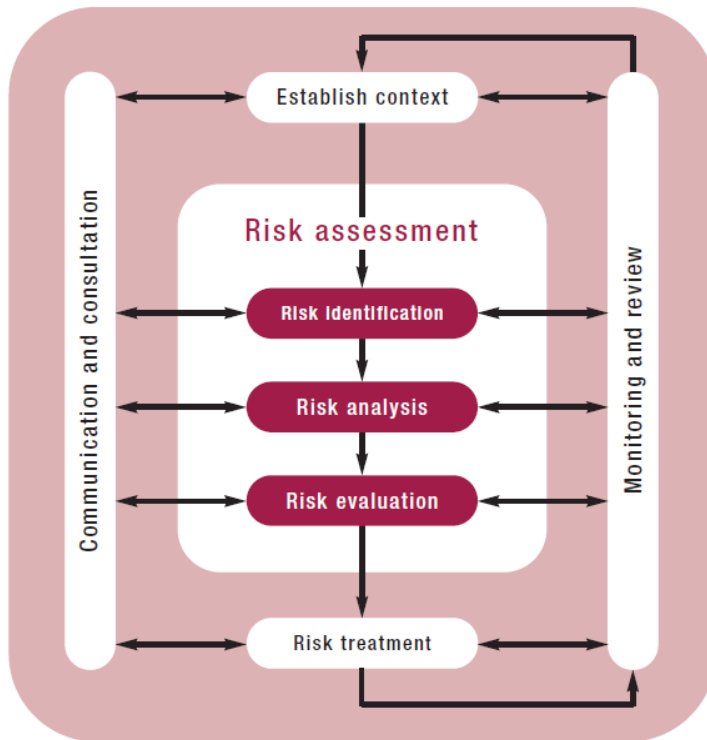
Strategic Risk is defined as:

"Risks that need to be taken into account in judgements about the medium and long term goals and objectives of the Organisation"

Operational Risk is defined as:

"Risks that managers and employees will encounter in the daily course of their work"

Diagram 1 Risk Management Process (Based on ISO31000 Risk Management)



5.2 Risk Identification, Analysis & Evaluation

- 5.2.1 Risk identification establishes the exposure of the organisation to risk and uncertainty. The Board and Senior Management in conjunction with their teams identify risks that could adversely affect the ability of YPO to meet its objectives and record these in a Risk Register.
- 5.2.2 Risk assessment is the overall process of risk analysis and risk evaluation. Risk analysis is the systematic use of information to identify sources of risks (processes or activities having a potential for a consequence) and to estimate the likelihood and impact of that risk should it occur. Risk analysis provides a basis for risk evaluation, risk treatment and risk acceptance. Risk evaluation is the process of comparing the estimated risk against set risk criteria to determine the significance of the risk.

5.2.3 YPO utilises the following risk assessment criteria:

Risk Assessment Matrix

Risk Score: Low  Medium  High 

LIKELIHOOD	High - 3	Medium Risk Risk Score - 3	High Risk Risk Score - 6	High Risk Risk Score - 9
	Medium - 2	Low Risk Risk Score - 2	Medium Risk Risk Score - 4	High Risk Risk Score - 6
	Low - 1	Low Risk Risk Score - 1	Low Risk Risk Score - 2	Medium Risk Risk Score - 3
		Low - 1	Medium - 2	High - 3

IMPACT

5.2.4 Identified risks will be prioritised based on their overall risk rating with priority given to those with the highest likelihood and impact.

5.2.5 In order to effectively identify all of the risks facing an organisation a structure for risk identification is required. A formalised risk classification system allows identification of similar risks within YPO and enables identification of who is responsible for setting strategy for the management of related or similar risks. It also allows better identification of risk appetite and total risk exposure.

5.2.6 YPO utilises the risk classification system known as FIRM for its operational and strategic risk registers. FIRM stands for financial, infrastructure, reputational and marketplace. The four headings of FIRM offer a classification system for the risks to the key dependencies in the organisation; it also reflects the idea that every organisation should be concerned about its finances, infrastructure, reputation and commercial success.

5.2.7 The FIRM system also takes into account internal risks with financial and infrastructure risks being considered as internal and reputational and marketplace risks being external to the organisation.

5.2.8 The FIRM headings are summarised below:

FINANCIAL - 'Risks that can impact the way in which money is managed and profitability is achieved'.

INFRASTRUCTURE – 'Risks that will impact the level of efficiency and dysfunction within the core processes'.

REPUTATIONAL – 'Risks that will impact desire of customers to deal or trade and level of customer retention'.

MARKETPLACE – 'Risks that will impact the level of customer trade or expenditure and customer retention'.

5.2.9 Officers carrying out risk assessment and recording risks in the organisations risk register should consider the risks associated with the categories above and record the risk alongside the risk classification in the relevant risk register.

5.3 Risk Appetite

5.3.1 Risk appetite is the amount and type of risk that the organisation is prepared to seek, accept or tolerate.

5.3.2 YPO operates within a variable overall risk range. YPO's lowest risk appetite relates to health and safety and legal compliance objectives. The organisation is willing to take calculated commercial risks with a higher risk appetite towards its strategic and operational objectives. YPO aims to reduce to reasonably practicable levels the risks originating from health and safety and meeting our legal obligations and these will take priority over other business objectives.

5.4 Risk Treatment

5.4.1 The range of risk response treatments available to the organisation include:

Tolerate - Accept / retain the risk. The exposure may be tolerable without any further action being taken. Even if it is not tolerable, the ability to do anything about some risks may be limited, or the cost of taking any action may be disproportionate to the potential benefit gained.

Treat – Control / reduce the risk. A large number of risks will be addressed in this way. The purpose of treatment is that, whilst continuing with the activity giving rise to the risk, action (control) is taken to reduce the risk to an acceptable level.

Transfer – Insure / contract out the risk. For some risks the best response may be to transfer them. This might be done by conventional insurance, or it might be done by paying a third party to take the risk in another way.

Terminate – Avoid / eliminate the risk. Some risks will only be treatable, or containable to acceptable levels, by terminating the activity.

5.5 Risk Monitoring & Review

- 5.5.1 Operational and Strategic Risk Registers are subject to quarterly review by Board and SLT these will show a clear link to strategic and operational objectives. Ongoing monitoring and reporting of the Strategic Risk Register will be provided to the Audit Sub-Committee to gain assurances that risks are being effectively managed.

6 Business Planning Approach to Risk

- 6.1 As part of the annual Business planning process the Senior Leadership Team are asked to compile departmental business plans, the aim is to highlight key objectives and any associated risks which may threaten the achievement of key objectives. Not all risks are included but just those specifically identified as a significant threat to specific objectives. These risks are also included in the Risk Register of the Senior Manager / area along with details of any mitigating actions/controls. These risks are subject to ongoing review by management in line with the risk management process.

7 Business Change Portfolio and Programme Approach to Risk

- 7.1 Projects in the Business Change Portfolio use a tailored Prince2 risk management procedure. Each Project in the Portfolio has their own Risks Logs which they manage as part of the Project. Projects that are part of a wider Programme are aligned and the Programme has its own Risk Log; many of the Risks on the Programme Risk Log have derived from the Project Risk Logs.
- 7.2 The Project Highlight Reports are used as the formal way of escalating significant Project Risks to Project Board (Sponsor) and then potentially into the Programme Highlight Report / Programme Boards, which is used as the formal way of escalating significant Programme Risks. Significant Project and Programme risks can then be escalated through to the monthly Business Change Board in the Portfolio report under the heading of major risks and issues. The Business Change Board is made up of the full YPO Board plus the Head of Business Change and IT and the Programme Manager. The Business Change Board is the formal channel and link / escalation of Project and Programme Risks to the Strategic Risk Register.
- 7.3 In addition to the above the Programme Manager has created a Project Management Guide Book and Approach to Projects at YPO, with a set of Templates. There are several mechanisms and management products that enable Project and Programme Risks to be identified, assessed, planned, implemented and communicated upon such as the Business Case, Lessons Learned Log, Programme Team Meetings with the Project Managers and the Programme Manager.

8 Projects outside the Business Change Programme

- 8.1 Any projects outside the Business Change Programme will be supported by a Business Case detailing the key risks. The project lead will take ownership of these risks and escalate to the Operational and Strategic Risk Registers where necessary.

9 Resourcing

- 9.1 All employees are responsible for considering risk implications within their job and report opportunities / risks to their Manager.
- 9.2 YPO Senior Management will provide the necessary staffing resources for the effective implementation of this policy and associated processes and will promote a culture to ensure Risk Management is fully embedded within the Organisation.

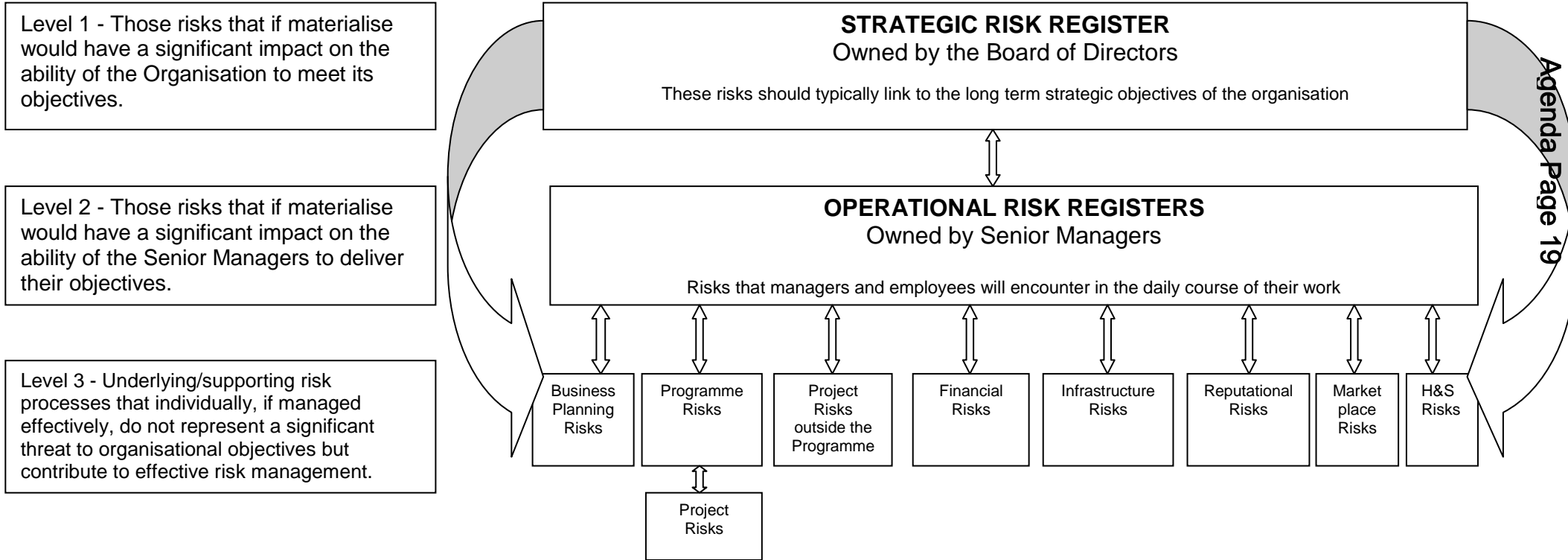
10 Monitoring and Reporting Arrangements

- 10.1 Overall responsibility for monitoring adherence to YPO's Risk Management Policy rests with the Managing Director, or delegated Officer.
- 10.2 Ongoing monitoring and reporting of the Strategic Risk Register will be provided to the Audit Sub-Committee to gain assurances that risks are being effectively managed. Reporting of any risks which the YPO Board of Directors believes to be sufficiently important or catastrophic in nature that Management Committee Members need to be aware of will be done so under the existing emergency reporting procedures.
- 10.3 Internal Audit progress reports are presented to Board and Audit Sub-Committee at least annually highlighting assurances given on all levels of risk management including any specific problem areas.

11 Implementation and Policy Review

- 11.1 Once approved by the Management Committee this Policy and Strategic Framework will be published within YPO and used as the basis from which to embed risk management within the Organisation. The Policy will be reviewed annually with any significant changes highlighted to the Management Committee for approval.

APPENDIX 1 - RISK REGISTER AND ESCALATION FLOW DIAGRAM



Better value, delivered.





YPO
AUDIT & SCRUTINY SUB COMMITTEE
TO BE HELD ON
16TH FEBRUARY 2018

SUBJECT: STATEMENT OF ACCOUNTS 2017

REPORT OF: FINANCIAL CONTROLLER

1 PURPOSE OF REPORT

1.1 To present the pre-audit Statement of Accounts for 2017.

2 SUMMARY

2.1 The draft Statement of Accounts has been prepared and is ready for External Audit.

3 RECOMMENDATIONS

3.1 That it is noted that the draft Statement of Accounts is ready for audit.

4 BACKGROUND

4.1 In accordance with the Accounts and Audit Regulations, 2015 and taking into account relevant accounting codes of practice and applicable accounting standards, a Statement of Accounts has been prepared.

4.2 Although the compliance noted in 4.1 is no longer mandatory for YPO, as a Joint Committee, it was agreed at Management Committee in March 2016 that a non-statutory audit would still be needed and the accounts would be prepared each year in line with the relevant standards and regulations.

4.3 The audit is expected to commence on 12th March 2018 and will conclude on or around 23rd March 2018.

- 4.4 The pre-audit statement of accounts has been examined by officers from the Lead Authority.
- 4.5 Property valuations were obtained from Norfolk Property Services as at 15th December 2017 and adjustments to the accounts have been made in accordance with UK Generally Accepted Accounting Principles.
- 4.6 The pensions account has been adjusted in accordance with the recent actuarial valuation provided.

5. PROFIT & LOSS RECONCILIATION

- 5.1 On page 10 of the attached Statement of Accounts is the Comprehensive Income and Expenditure (I&E) Account. The I&E Account for 2017 presents a net deficit for the provision of service of (£3.593m). This is in comparison to profits of £7.492m reported in Note 16 “Amounts reported for Decision making and planning” and £7.419m in December’s initial performance report.
- 5.2 The variance between the I&E account and the amounts reported for decision making and planning of (£11.085m) is due to the deficit on the provision of service including all financing and investment expenditure. Therefore, all pension service costs (£1.909m), pension interest costs (£0.783m), dividend payments made in the year of (£7.864m) and earmarked reserve expenditure of (£0.529m) are all included.
- 5.3 The variance between the I&E account and December’s initial performance report of (£11.012m) is again mainly due to the factors mentioned in 5.2 above of (£11.085m) but also includes further adjustments made during a final review of 2017’s accounts, amounting to £0.073m. This includes a reduction in the depreciation charge for the year of £0.088m in line with the valuation gain of our land & buildings detailed in the latest valuation report dated 15th December 2017. Partially offsetting this are additional overhead costs identified during the year end closedown of (£0.015m), mainly due to increased catalogue production charges.
- 5.4 The above variances are detailed in appendix 2 to this report.

6 OPTIONS APPRAISAL

- 6.1 It is proposed that the Statement of Accounts be agreed and that it is provided to the External Auditor.

7. WHAT DOES THIS MEAN FOR YPO STAKEHOLDERS

- 7.1 An unqualified audit opinion will give stakeholders some assurance that the organisation is acting within the protocols of good financial management.

8. OUTCOME AND SUSTAINABILITY

- 8.1 An unqualified audit opinion will be a good outcome and will acknowledge that the organisation has effective financial controls and corporate governance. The financial position suggests a solid financial base and that YPO is a going concern.

9. RISK ASSESSMENT

- 9.1 There is a risk that the accounts will be qualified, which will have political and reputational risks for YPO. Working closely with the external auditors and acting on findings should mitigate that risk.

10. CONSULTATIONS AND ENGAGEMENT

- 10.1 Consultations have taken place with the Lead Authority about the contents of the Statement of Accounts. Further consultations will take place as and when required.

11. BACKGROUND PAPERS

- 11.1 Statement of Accounts for 2016.

SERVICE DIRECTOR: PAUL SMITH, EXECUTIVE DIRECTOR

YPO
41 Industrial Park
Wakefield
WF2 0XE

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

CONTACT OFFICER: MATTHEW HIRST, FINANCIAL CONTROLLER

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 834964
E-mail address: matthew.hirst@ypo.co.uk

APPENDICES:

- Appendix 1: Reconciliation of Deficit on Provision of Service to Year End Profits*
Appendix 2: Draft Statement of Account 2017

Appendix 1: Reconciliation of Deficit on Provision of Service to Year End Profits

2017 Profit and Loss Reconciliation

	Comp I&E	MGT A/c P&L	Performance Report	Diff to P&L	Diff to Performance report
Invoiced Turnover	110,965	110,965	110,965	0	0
Cost of Sales	(80,316)	(80,316)	(80,316)	0	0
Gross Margin	30,649	30,649	30,649	0	0
Discounts	128	128	128	0	0
Rebates	5,299	5,299	5,299	0	0
Other Income	2,216	2,216	2,218	0	(2)
Gross Surplus	38,292	38,292	38,294	0	(2)
Operating Expenses					
Employees	(18,001)	(17,976)	(17,978)	(26)	(23)
Premises	(1,224)	(1,117)	(1,117)	(107)	(107)
Supplies and Services	(6,850)	(6,453)	(6,437)	(397)	(413)
Transport	(4,608)	(4,608)	(4,608)	0	0
S.L.A. Costs	(127)	(127)	(127)	0	(0)
Financial and Miscellaneous	(267)	(267)	(267)	0	(0)
Depreciation and revaluation increase/(decrease)	(270)	(270)	(358)	0	88
Pension service gain(cost) net of charges made to the general fund	(1,909)			(1,909)	(1,909)
Net Operating Expenditure	(33,256)	(30,817)	(30,892)	(2,438)	(2,364)
Surplus/(deficit) on trading operations	5,036	7,475	7,402	(2,438)	(2,366)
Financing and investment income and expenditure					
Pensions Interest Cost and Expected Return on Pension Assets	(783)			(783)	(783)
Interest Receivable	17	17	17	0	0
Dividend paid	(7,864)			(7,864)	(7,864)
Surplus/(Deficit) on provision of service	(3,593)	7,492	7,419	(11,085)	(11,012)

Slight decrease in the Management recharge to YPO Supplies Limited.

Reserve expenditure of £25K that is required to be disclosed in the comp I&E, plus £2K of savings found during the year end process.

Reserve expenditure of £107K that is required to be disclosed in the comp I&E.

Reserve expenditure of £397K that is required to be disclosed in the comp I&E, plus additional costs of £16K found during year end process.

Decrease in the depreciation charge for the year in line with 2017 valuation report.

YORKSHIRE PURCHASING ORGANISATION



**PRE-AUDIT
STATEMENT
OF ACCOUNTS
2017**

41 Industrial Park • Wakefield • WF2 0XE

Narrative Statement by the Managing Director

1. INTRODUCTION

This document is the Statement of Accounts for the Yorkshire Purchasing Organisation. The Statement of Accounts shows the Organisation's financial performance for the year ended 31st December 2017. The Narrative Statement provides a guide to the most significant matters in the financial statements.

The Yorkshire Purchasing Organisation (YPO) was established in 1974 to fulfil the supplies requirements of a number of local authorities. The enabling act for the organisation is the Local Authorities (Goods and Services) Act 1970 and its objectives are for the supply of goods and procurement of services to the public sector.

There are currently 13 founder member authorities and fifty nine associate member authorities of YPO as of 31st December 2017, although the Organisation trades extensively outside the membership area. Management of the organisation reports periodically to a Management Committee of two elected members from each founder member authority.

The membership consists of:

Founder Member Authorities

Barnsley MBC	North Yorkshire CC
Bolton MBC	Rotherham MBC
City of Bradford MC	St Helens MBC
MB of Calderdale	City of Wakefield MDC
Doncaster MBC	Wigan MBC
Kirklees MC	City of York Council
Knowsley MBC	

Associate Member Authorities

first year of membership

Bury Metropolitan Borough Council	2011
Cumbria City Council	2011
Durham City Council	2011
Leeds City Council	2011
North East Lincolnshire Council	2011
North Lincolnshire Council	2011
Sheffield City Council	2011
Cheshire East Council	2012
East Riding of Yorkshire Council	2012
Hull City Council	2012
Rochdale Metropolitan Borough Council	2012
South Yorkshire Fire and Civil Defence Authority	2012
South Yorkshire Police Authority	2012
Stockport Metropolitan Borough Council	2012
Trafford Council	2012
Warrington Borough Council	2012
West Yorkshire Fire and Civil Defence Authority	2012
West Yorkshire Police Authority	2012
Blackpool Borough Council	2013
Lancashire Fire & Rescue Service	2013
London Borough of Hillingdon	2013
Malvern Hills District Council	2013
Manchester City Council	2013
Northumberland County Council	2013
Staffordshire City Council	2013
West Midlands Fire & Rescue Authority	2013
Wiltshire Fire and Rescue Service	2013
Wyre Forest District Council	2013
Birmingham City Council	2014
Kettering Borough Council	2014
London Borough of Harrow	2014
Tameside Council	2015
Lancaster City Council	2015
Walsall Council	2015
Cheshire Fire and Rescue Service	2016
Coventry City Council	2016
Craven District Council	2016
Fylde Council	2016
Greater Manchester Fire and Rescue	2016
Greater Manchester Police	2016
Halton Borough Council	2016
Lancashire Police	2016
London Borough of Brent	2016

Narrative Statement by the Managing Director

London Borough of Hackney	2016
London Borough of Waltham Forest	2016
Liverpool City Council	2016
Merseyside Fire and Rescue Service	2016
Merseytravel	2016
Oldham Council	2016
Salford City Council	2016
Sefton Borough Council	2016
Solihull Metropolitan Borough Council	2016
Wyre Council	2016
Allerdale Borough Council	2017
Devon County Council	2017
London Borough of Camden	2017
London Borough of Haringey	2017
London Borough of Westminster	2017
Pendle Borough Council	2017

Certain services, including legal, treasury and internal audit, are provided by the City of Wakefield MDC in accordance with arrangements agreed by the Management Committee.

Associate membership allows for attendance at the public section of all committee meetings but does not carry voting rights.

2. ACCOUNTABILITY AND FINANCIAL REPORTING

There is no longer a statutory requirement for YPO, as a joint committee, to have an external audit. However, in March 2016 the Management Committee and Section 151 Officer of the lead authority agreed that YPO should continue 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. Consequently, this will be a non-statutory audit meaning that compliance with the Accounts and Audit Regulations 2015 is not mandatory.

We have continued to categorise our Reserves as "Usable" and "Unusable" in line with the C.I.P.F.A Code of Practice. This is purely for presentational needs and we acknowledge that any powers attributed to this classification no longer applies to the organisation.

3. THE STATEMENTS

The financial activity of the Organisation in relation to the service it provides is shown through a number of key financial statements and notes:

Core Statements

The Movement In Reserves Statement shows the movement in year on the different reserves held by the Organisation.

The Comprehensive Income and Expenditure Account summarises the income and expenditure of the Organisation during the year.

The Balance Sheet shows the value as at the 31st of December 2017 of the assets and liabilities recognised by the Organisation. The net assets of the Organisation (assets less liabilities) are matched by the reserves held by the Organisation.

The Cash Flow Statement shows the changes in cash and cash equivalents of the Organisation during the reporting period. The statement shows how the Organisation generates and uses cash and cash equivalents by classifying cash flows between operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the Organisation are performing. Investing activities represent the extent to which cash inflows have been made for resources which are intended to contribute to the Organisation's future operations.

The Statement of Responsibilities for the Statement of Accounts sets out the respective responsibilities of the organisation and the Assistant Chief Executive, Resources & Governance at WMDC for the Statement of Accounts.

Narrative Statement by the Managing Director

The Annual Governance Statement sets out the framework designed to ensure that the organisation operates a sound system of internal control which facilitates the effective exercise of its operations, and which includes arrangements for the management of risk. Whilst it is not a requirement to be part of this Statement of Accounts it is attached as appendix A to this statement to aid the user to better understand the governance arrangements in force within the Organisation.

4. FINANCIAL SUMMARY

The 2017 budget approved in November 2016 was for a turnover of £118.75m and a surplus of £8.463m, excluding any income for pensions interest or expenditure financed from earmarked reserves.

Invoiced sales for the year are £110.965m and the reported surplus on trading of £7.492m is under the budget set of £8.463m by £0.971m, this excludes any income for pensions interest or expenditure financed from earmarked reserves.

Turnover targets for the year included growth aspirations which haven't fully materialised. However, the ability to meet these targets have also been impacted by adverse market conditions, particularly within the early years, primary and secondary education sectors. With overall spending across these areas reducing by around 4.5% in the year the organisation's focus shifted to one of customer retention with elements of exploring new opportunities. Therefore whilst an adverse variance in sales of £7.8m may seem worrying it is important to appreciate that maintaining, and in some sectors increasing, market share is equally as significant.

Income from stock and framework contracts at £5.3m were under the budget of £5.39m, mainly due to emergency services framework contributions being lower than expected.

Operating costs for 2017 were £30.800m, £0.306m over budget. A significant contribution for the adverse variance was an increase in our employer pension contributions of 2.5% from April resulting in additional costs of around £0.240m. There has also been high distribution costs due to a greater number of consignments being carried out by third party contractors due to our Logistics team being unable to fully utilise our own fleet resources through staff sickness. Added to this have been higher than expected software license costs due an increase in rates from our suppliers. Helping to offset these have been savings with facilities improvements and a general vacancy saving across the organisation within salaried staff.

In 2017 £0.529m of expenditure was funded through the internal earmarked reserve funds. This was planned expenditure approved at the November 2016 Management Committee.

Trade debtors are at £8.9m, £1.5m greater than in 2016. There are no specific or significant causes of this, we are have just seen a general increase in our average debtor days of 5.5 to 29.5 days in 2017. This is still within our standard credit terms and the level of debt written off has also remained in line with 2016 at less than £0.010m.

The net assets of the organisation as at 31st December 2017 are £14.6m, an increase on £11.2m in last years accounts. Net current assets have remained stable and are at a similar position to that of last year with slight decreases in cash balances. It is a reduction in our long term liabilities that has contributed to the increase in our net worth and this is thanks to a reduction in the net pension liability of £4.3m due to asset returns in the accounting period being higher than expected.

Cash flow movement in the year has reduced the cash at bank balances by £3m. This reflects the operating performance of the organisation in the year and reconciles to the in-year profits, dividends paid, and movements in debtors and creditors as per the cash flow statement. There has been no capital expenditure in the year and no other extraordinary movement in cash. It is also expected that future cash flows will only be effected by the day to day operations of the organisation.

An agreed dividend distribution of £7.928m for the trading year 2016 was distributed in September 2017. This distribution, as last year, included all customers.

No acquisitions or discontinuation of operations were made during 2017.

Narrative Statement by the Managing Director

5. RETIREMENT BENEFITS

The value of the organisation's retirement benefits liability as at 31 December 2017 was £25.6 million (31 December 2016 £29.9 million). This decrease is due to the return on the funds assets within the accounting period being higher than expected.

The employer's contribution rate was 11.9% from Jan to Mar and 14.4% from Apr to Dec 2017. (see note 7 to Core Financial Statements - Retirement Benefits)

International Accounting Standard (IAS) 19 - Employee Benefits which covers pension accounting was revised in 2011 and applies to the Organisation's statements from 2014 onwards.

6. SIGNIFICANT MATTERS

The budget submission for the 2017 financial year was given approval by the Management Committee at the meeting in November 2016. The budget was built on assumptions of growth in core business and keeping the Operating Costs to Sales ratio at 24.6% which has gone up to 26.5% in 2017's performance.

A dividend distribution of £7.928m declared in respect of the 2016 trading year, was distributed in September 2017. This included a non cash loyalty bonus of £1.4m payable to individual customers by way of a voucher to be used against future purchases of product.

YPO Procurement Holdings and its subsidiary YPO Supplies Ltd began trading with YPO Joint Committee in 2014. Board members for YPO Procurement Holdings and YPO Supplies are also members of the Joint Committee board and therefore all transactions in 2017 between the above companies are classed as related party transactions.

7. MEDIUM TERM FINANCIAL STRATEGIES

The 2018 Budget was approved by the Management Committee in November 2017 as the first year of our new three year strategy. This strategy focuses on relevance and the importance of YPO remaining relevant not only to their owners and various customer groups but also to an ever changing marketplace. This will ensure we remain competitive whilst continuing to deliver value for money to all public sector organisations when procuring goods and services.

A medium term financial strategy has also been drawn up alongside the 2018 budget, this assesses the implications today's actions will have over the next 2-5 years and what impact it will have on future profits and financial position.

Simon Hill
Managing Director

Statement of Responsibilities

THE ORGANISATION'S RESPONSIBILITIES

The Organisation is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Organisation that officer is the Chief Finance Officer of the Serving Authority, Wakefield MDC. Day to day financial management is the responsibility of the Managing Director YPO.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

THE RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER

The Chief Finance Officer is responsible for the preparation of the Organisation's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the code).

In preparing this statement of accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the local authority Code.

The Chief Finance Officer has also:

- kept proper accounting records which were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CHIEF FINANCE OFFICER

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Yorkshire Purchasing Organisation at 31st December 2017 and its Income and Expenditure for the year then ended.

.....

NEIL WARREN
Chief Finance Officer

APPROVAL OF THE ACCOUNTS

As the Chair of the body considering the Yorkshire Purchasing Organisation's Statement of Accounts for 2017, I certify that the Accounts have been approved by the Management Committee and are authorised for issue.

.....

Cllr LES SHAW
Chairperson YPO Management Committee

Auditors Opinion

Auditors Opinion

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement in year on the different reserves held by the Organisation. The surplus (deficit) on Operations line shows the true economic cost of operational activity in the year more details of which, are shown in the Comprehensive Income and Expenditure Statement. The Net increase/(decrease) before transfer to Earmarked Reserves line shows the General Fund Balance prior to any discretionary transfers to or from earmarked reserves applied by the Organisation.

2016	£000's										
	Usable Reserves			Unusable Reserves							
	General Fund Balance	Capital Receipt Reserve	Internal Investment Reserve	Joint Committee Capital Adjustment Account	Earmarked Pension Reserve	Earmarked Accumulated absences account	Revaluation Reserve	Total Usable reserves	Total Unusable reserves	Total Reserves	
Balance as at 31 December 2015	30,302	85	2,303	11,014	(16,827)	(112)	0	32,690	(5,925)	26,765	
Movement in Reserves during 2016											
Surplus or (Deficit) on Operations	(4,039)							(4,039)	0	(4,039)	
Other Comprehensive Income					(11,513)		0	0	(11,513)	(11,513)	
Total Comprehensive Expenditure and Income	(4,039)	0	0	0	(11,513)	0	0	(4,039)	(11,513)	(15,552)	
Adjustments between accounting basis and funding basis under regulation											
Net Increase / (Decrease) before transfer to Earmarked Reserves	(4,039)	0	0	0	(11,513)	0	0	(4,039)	(11,513)	(15,552)	
Transfer (to) / from Earmarked Reserves	2,556		(533)	(470)	(1,555)	1	0	2,023	(2,023)	0	
Increase / (Decrease) in Movement in Year	(1,484)	0	(533)	(470)	(13,068)	1	0	(2,016)	(13,536)	(15,552)	
Balance as at 31 December 2016	28,818	85	1,770	10,545	(29,895)	(111)	0	30,674	(19,461)	11,213	13

2017	£000's										
	Usable Reserves			Unusable Reserves							
	General Fund Balance	Capital Receipt Reserve	Internal Investment Reserve	Joint Committee Capital Adjustment Account	Earmarked Pension Reserve	Earmarked Accumulated absences account	Revaluation Reserve	Total Usable reserves	Total Unusable reserves	Total Reserves	
Balance as at 31 December 2016	28,818	85	1,770	10,545	(29,895)	(111)	0	30,674	(19,461)	11,213	
Movement in Reserves during 2017											
Surplus or (Deficit) on Operations	(3,593)							(3,593)	0	(3,593)	
Other Comprehensive Income				0	7,016		0	0	7,016	7,016	
Total Comprehensive Expenditure and Income	(3,593)	0	0	0	7,016	0	0	(3,593)	7,016	3,423	
Adjustments between accounting basis and funding basis under regulation				10				0	10	10	
Net Increase / (Decrease) before transfer to Earmarked Reserves	(3,593)	0	0	10	7,016	0	0	(3,593)	7,026	3,433	
Transfer (to) / from Earmarked Reserves	3,036		(74)	(270)	(2,692)	0	0	2,962	(2,962)	0	
Increase / (Decrease) in Movement in Year	(557)	0	(74)	(259)	4,324	0	0	(631)	4,065	3,433	
Balance as at 31 December 2017	28,261	85	1,696	10,285	(25,571)	(111)	0	30,042	(15,396)	14,646	

Comprehensive Income and Expenditure Account

2016		2017
<u>£'000</u>		<u>£'000</u> Note
113,904	<i>Invoiced Turnover</i>	110,965 1(b),6
<u>(83,926)</u>	<i>Cost of Sales</i>	<u>(80,316)</u>
29,978	<i>Gross Margin</i>	30,649
142	Discounts	128
4,335	Rebates	5,299 1(b),6
2,905	Other Income	2,216 1(b),6
<u>37,361</u>	<i>Gross Surplus</i>	<u>38,292</u>
	<i>Operating Expenses</i>	
(17,705)	Employees	(18,001)
(1,115)	Premises	(1,224)
(6,994)	Supplies and Services	(6,850)
(4,583)	Transport	(4,608)
(102)	S.L.A. Costs	(127)
(143)	Financial and Miscellaneous	(267)
(475)	Depreciation and revaluation increase/(decrease)	(270) 1(e),8
(962)	Pension service gain(cost) net of charges made to the general fund	(1,909) 1(h),7
<u>(32,079)</u>	<i>Net Operating Expenditure</i>	<u>(33,256)</u>
<u>5,282</u>	<i>Surplus/(deficit) on trading operations</i>	<u>5,036</u>
	<i>Other Operating expenditure</i>	
0	Gain/(Loss) on Disposal of Property, Plant and Equipment	0
<u>0</u>		<u>0</u>
	<i>Financing and investment income and expenditure</i>	
(593)	Pensions Interest Cost and Expected Return on Pension Assets	(783) 1(h),7
70	Interest Receivable	17
(8,798)	Dividend paid	(7,864)
<u>(9,321)</u>		<u>(8,629)</u>
<u>(4,039)</u>	<i>Surplus/(Deficit) on provision of service</i>	<u>(3,593)</u>
	<i>Other Comprehensive income and expenditure</i>	
(11,513)	Actuarial gains / (losses) on pension assets / liabilities	7,016
0	Gains / (losses) on revaluations of PPE and depreciation	0
<u>(11,513)</u>		<u>7,016</u>
<u>(15,552)</u>	<i>Total comprehensive Income and Expenditure</i>	<u>3,423</u>

BALANCE SHEET

The Balance Sheet shows the value as at 31st December 2017 of the assets and liabilities recognised by the Organisation. The net assets of the Organisation (assets less liabilities) are matched by the reserves held by the Organisation.

31st Dec 2016 <u>£'000</u>		31st Dec 2017 <u>£'000</u>	<u>Note</u>
ASSETS AND LIABILITIES			
Long term Assets			
Property, Plant and Equipment			
9,058	Land and Buildings	9,000	1(e),8
784	Vehicles, Furniture & Equipment	612	1(e),8
<u>30</u>	Intangible Assets	<u>0</u>	1(e),8
<u>9,872</u>	Total Long Term Assets	<u>9,612</u>	
Current Assets			
12,213	Inventories	12,749	1(m),9
12,353	Short term debtors	14,654	1(u),10
<u>14,214</u>	Cash and cash equivalents	<u>11,183</u>	
<u>38,780</u>	Total Current Assets	<u>38,587</u>	
Current Liabilities			
<u>(7,543)</u>	Short term creditors	<u>(7,982)</u>	1(v),11
<u>(7,543)</u>	Total Current Liabilities	<u>(7,982)</u>	
<u>31,236</u>	Net Current Assets	<u>30,605</u>	
Long term Liabilities			
<u>(29,895)</u>	Liability relating to Defined Benefit Pension Scheme	<u>(25,571)</u>	1(h),7
<u>11,213</u>	Net Assets	<u>14,646</u>	
Financed by:			
Usable Reserves			
28,818	General Fund	28,261	
85	Usable Capital Receipts Reserve	85	1(g),13
1,770	Internal Investment reserve	1,696	1(g),13
Unusable Reserves			
10,545	Joint Committee Capital Adjustment Account	10,285	1(g),13
<u>(29,895)</u>	Pension Reserve	<u>(25,571)</u>	1(h),7,13
<u>(111)</u>	Earmarked Accumulated Absences Account	<u>(111)</u>	1(g),13
0	Revaluation Reserve	0	1(g),13
<u>11,213</u>	Total Reserves	<u>14,646</u>	

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash, and cash equivalents, of the Organisation during the reporting period. The statement shows how the Organisation generates and uses cash, and cash equivalents, by classifying cash flows between operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the Organisation are performing. Investing activities represent the extent to which cash inflows have been made for resources which are intended to contribute to the Organisation's future operations.

2016		2017
£'000		£'000
(4,039)	Net surplus/(deficit) on the provision of service	(3,593)
	Adjustment to the net surplus/(deficit) for non cash movements	
475	Depreciation and revaluation increase/(decrease)	270
331	(Increase)/Decrease in Inventories	(537)
(526)	(Increase)/Decrease in Debtors	(2,301)
1,555	(Increase)/Decrease in Pension Liability	2,692
(813)	Increase/(Decrease) in Creditors	439
(1,690)	Redemption of loyalty vouchers	(1,212)
(668)		(650)
	Adjustments for items included in the net surplus/(deficit) that are financing/investing activities	
8,798	Proceeds from sale of PPE	7,864
8,798	Dividend payment	7,864
4,091	Net cash flows from operating activities	3,621
	Investing Activities	
(6)	Purchase of PPE	0
0	Proceeds from Sale of PPE	0
(6)		0
	Financing Activities	
(7,108)	Dividends paid to Members	(6,651)
(7,108)		(6,651)
(3,023)	Net Increase/(Decrease) in Cash and Cash Equivalents	(3,031)
17,237	Cash and Cash Equivalents at the beginning of the reporting period	14,214
14,214	Cash and Cash Equivalents at the end of the reporting period	11,183

Note on operating activities		
	The cash flows from operating activities include the following items	
70	Interest Receivable	17
70		17

Notes to the Core Financial Statements

The following notes provide more detailed information in order to assist understanding of the main financial statements.

1. STATEMENT OF ACCOUNTING POLICIES

GENERAL PRINCIPLES

As a Joint Committee, YPO is no longer required to comply with the Accounts and Audit regulations 2015. However, it has been agreed that YPO will continue to produce a statement of accounts in accordance with the C.I.P.F.A Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS).

The Organisation recognises that the Comprehensive Income and Expenditure Statement does not fully comply with the Code of Practice by not including a service analysis. This is due to the Organisation being a single service business operation with no reliance on external funding, or having any direct impact on the finances of any member authority. Additionally the Organisation's status as a joint committee prevent it from taking advantages of certain statutory overrides contained within the code.

In this respect, certain aspects of the code are redundant. In each of these cases the Organisation has adopted policies which it believes present fairly the financial position of the Organisation.

The following policies have been adopted in compiling the accounts:

Fundamental Accounting Concepts:

- The accounts have been prepared on a historical cost basis, except that certain categories of assets are re-valued at regular intervals.
- The revenue and capital accounts are maintained on an accruals basis. This means that expenditure and income are recognised in the accounts in the period in which they are incurred or earned, not as money is paid or received. Income is also matched with associated costs and expenses as far as the relationship can be established or justifiably assumed.
- Consistent accounting policies have been applied both within the year and between years. Where accounting policies are changed, the reason and effect have been separately disclosed.
- Income has only been recognised within the accounts where there is a reasonable certainty, and proper allowances have been made for all foreseeable losses and liabilities.
- The accounts have been prepared on a going concern basis.
- The accounting statements have been prepared so as to reflect the reality or substance of the transactions and activities underlying them, rather than their formal legal character.
- As allowed under the Code the concept of materiality has been utilised in the process of preparing the accounts, such that insignificant items and fluctuations under an acceptable level of tolerance are permitted provided that in aggregate they would not affect the interpretation of the accounts by an informed reader.
- Where estimating techniques are required to enable the accounting practices adopted to be applied, the techniques which have been used are, in YPOs view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, where practical, the effect on the results for the current period are separately disclosed, Note 4 to the core financial statements provides further details.
- In accordance with the Code, where an accounting treatment is prescribed by law, then it has been applied, even if it contradicts accounting standards or generally accepted accounting concepts.

a. ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular debtors and creditors for revenue and capital transactions are accrued, except for certain cases which are not considered material. For items of this nature, a consistent approach is adopted.

b. TURNOVER

invoices were not raised until January. Rebates refer to the value of commission earned on contractual activity in the year. Other income includes marketing support for catalogue production and promotion.

c. OVERHEADS

The Organisation is a single service entity and as such all overhead costs are included in the revenue account inclusive of accruals prepayments for the period to which they relate.

d. COMPONENTISATION OF NON CURRENT ASSETS

Non Current assets valued through the Organisation's five year programme of valuations are assessed for any significant components, where the value of the asset is greater than £1 million on revaluation. If an individual component's value is deemed by the business to be significant in relation to the total value of the asset then that component will be depreciated separately.

Capital expenditure is monitored throughout the year and included in the budget and business planning process to identify replacement or changes of a significant component on non current assets.

The carrying value of any component being replaced will be charged to the revenue account as a disposal. This balance is then reversed out of the General Fund in the Movement in Reserves Statement and posted to the Joint Committee Capital Adjustment Account.

Notes to the Core Financial Statements

e. NON CURRENT ASSETS

- i) Expenditure on the acquisition, creation or enhancement of non current assets , with a value in excess of £5,000, is capitalised on an accruals basis, provided they have an estimated life in excess of one year. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits is charged as an expense when it is incurred. All expenditure on non current assets that is capitalised is recognised in the Organisation's Asset Register and Balance Sheet and depreciated over the useful life of the asset.
- ii) Non current assets are valued at purchase price plus any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- iii) Non-current Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from the fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified the accounting treatment is that the carrying amount of the asset is written down against any revaluation gain in the Revaluation Reserve or where there is no, or insufficient balance in the Revaluation Reserve the asset is written down against the Comprehensive Income and Expenditure Account

The latest valuation date of land and buildings was 15th December 2017, and was carried out by J Duck FRICS of NPS Humber Ltd.

- iv) Non-current Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where an impairment of a non current asset has been recognised it is accounted for as a charge in the Comprehensive Income and Expenditure Statement where there is no or insufficient accumulated gains in the Revaluation Reserve against which all losses can be written off.

Where an impairment loss is reversed subsequently, the reversal is credited to the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

- v) Where a revaluation loss on a non current asset is recognised as part of a review or a valuation exercise it is accounted for as a charge against the Comprehensive Income and Expenditure Account where there is no or insufficient accumulated gains in the Revaluation Reserve which all losses can be written off.
- vi) When a non-current asset is disposed of, or decommissioned, any gain or loss on the disposal is credited or charged to the Comprehensive Income and Expenditure Statement. The gain or loss is calculated by reference to the difference between the sale proceeds of the asset and the value of the asset in the balance sheet plus any material costs of disposal. Any revaluation gains in the Revaluation Reserve, relating to the asset disposed of, are transferred to the Joint Committee Capital Adjustment Account.

Receipts from disposals are credited to the Usable Capital Receipts Reserve and can be used for new capital investment. Receipts are appropriated to the Usable Capital Receipts Reserve from the Movement in Reserves Statement.

- vii) Depreciation has been provided for using the straight-line method on Buildings (excluding land), Vehicles and Equipment and is charged from the time the asset becomes operational. The useful lives of the various assets held on the Asset Register are as follows:

Freehold Buildings	2017
41 Industrial Park	44 years
Flanshaw Way	40 years
Motor Vehicles	up to 5 years
Warehouse and Office Equipment	up to 15 years
Computers	up to 5 years

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated with an amount equal to the difference between the current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Joint Committee Capital Adjustment Account.

f. INTANGIBLE FIXED ASSETS

Intangible fixed assets are assets that do not have any physical substance but which the Organisation controls access to the future economic benefits derived from them, either through custody or legal protection.

Expenditure on intangible assets is subject to the same recognition criteria as tangible fixed assets as stated in note d. Intangible assets will be brought on to the Balance Sheet at cost and amortised on a straight line basis over the period for which benefit is received. It is assumed there will be nil residual value. Annual reviews of the value of intangible fixed assets will be undertaken.

Amortisation has been provided for using the straight line method on Intangible fixed assets and is charged from the time the asset becomes operational. The useful life of the Intangible fixed assets held on the Register are as follows:

Internally generated intangible assets - IT Development/Testing & Project management - 3 years

Notes to the Core Financial Statements

g. RESERVES

The Organisation sets aside specific amounts as reserves for future purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure financed from a reserve is incurred, it is charged to the Consolidated Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement.

The Organisation differentiates between usable and unusable reserves on the basis contained within the Code however certain statutory overrides allowable by statute to Local Authorities and contained within the Code are not available to a joint committee. Where this is the case the Organisation has voluntarily adopted the principles of the Code.

h. EMPLOYEE BENEFITS

The Organisation accounts for employee benefits in accordance with the requirements of IAS 19.

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non monetary benefits (e.g. cars) for current employees and are recognised as an expense in the year in which employees render service. An accrual is made for the cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at average salary rate. The accrual is charged to the Comprehensive Income and Expenditure Statement but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Organisation to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accrual basis to the relevant line in the Comprehensive Income and Expenditure Statement.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Organisation to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Organisation are members of the Local Government Pensions Scheme known as the West Yorkshire Pension Fund and administered by Bradford Council. The scheme is a defined benefit scheme providing employees with a retirement lump sum and pension.

The Local Government Pension Scheme

The liabilities of the West Yorkshire Pension Fund attributable to the Organisation are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.5% on funded liabilities and 2.5% on unfunded liabilities (based on a weighted average of "spot yields" on AA rated corporate bonds).

The assets of West Yorkshire Pension Fund attributable to the Organisation are included in the Balance Sheet at their fair value:

- . quoted securities - current bid price
- . unquoted securities - professional estimate
- . unitised securities - current bid price
- . property - market value

The change in the net pensions liability is analysed into seven components:

Current service cost - the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement.

Past service cost - the increase / decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Comprehensive Income and Expenditure Statement.

Interest Cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid debited to the Comprehensive Income and Expenditure Statement

Expected return on Assets - the annual investment return on the fund assets attributable to the Organisation, based on the average of the expected long term return credited to the Comprehensive Income and Expenditure Statement.

Gains or losses on settlements and curtailments - the result of actions to relieve the Organisation of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Comprehensive Income and Expenditure Statement.

Actuarial Gains and Losses - Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve.

Contributions paid to the West Yorkshire Pension Fund - cash paid as employers contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Notes to the Core Financial Statements

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Organisation to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits

The Organisation has limited powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Scheme.

i. TAXATION

Local authorities are exempt from Income, Corporation and Capital Gains Taxes. Income and expenditure normally excludes amounts relating to Value Added Tax (VAT), as VAT collected is payable to HM Revenue and Customs and VAT paid is normally recoverable from them. Exceptionally, if VAT is irrecoverable it is charged to revenue expenditure or capital expenditure as appropriate.

j. EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

Any material exceptional or extraordinary items are separately disclosed in the accounts.

Material prior period adjustments arising from changes in accounting policies or from the correction of fundamental errors have been accounted for by restating the comparative figures in the financial statements and notes, together with the cumulative effect on reserves. The effect of material prior period adjustments is disclosed separately as a note to the Core Financial Statements.

k. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are reflected in the accounts up to the date when the Statement of Accounts was authorised for issue and are accounted for in accordance with IAS10.

Where an event arises which provides additional evidence relating to conditions existing at the Balance Sheet date, or which indicates that application of the going concern concept to the Organisation is not appropriate (an adjusting event), then adjustments have been made to the accounts, where the amounts are material.

Any material event, which concerns conditions that did not exist at the Balance Sheet date (a non-adjusting event), has been disclosed as a note to the Core Financial Statements. The note states the nature of the event and, where possible, an estimate of its financial effect.

l. INTEREST RECEIVABLE/PAYABLE

Bank interest is recognised in the Financial Statements during the period in which it became due for payment to or by the Organisation.

m. INVENTORIES

Inventories are valued at average cost, and shown in the accounts at the lower of cost or net realisable value.

n. LEASES

The Organisation accounts for leases in accordance with the requirements of IAS17.

YPO accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to YPO. Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding lease obligation (deferred liability). Fixed Assets held under finance leases are accounted for as part of Property, Plant and Equipment. No assets were held on finance leases as at 31st December 2017.

Rentals payable under operating leases are charged to revenue on a straight line basis over the term of the lease even if this does not match the pattern of payments (e.g. quarterly billing straddling an accounting period).

o. CONTINGENT LIABILITIES & ASSETS

Contingent liabilities are not accrued in the accounting statements. Material contingent liabilities are identified in a note to the core financial statements if there is a possible obligation, which may require a payment or transfer of economic benefits.

p. PROVISIONS

Provisions are recognised in the accounts in accordance with IAS 37, where:

- i) The Organisation has a present obligation (legal or constructive) as a result of a past event,
- ii) It is probable that a transfer of economic benefits will be required to settle the obligation, but the timing of the transfer is uncertain; and
- iii) A reliable estimate can be made of the amount of the obligation.

Contributions to provisions are charged to the appropriate revenue account and any subsequent expenditure arising, to which the provision relates, is charged to the provision. The level of each provision is reviewed at the year end and, if appropriate, adjusted by reversing the contribution to the provision and crediting the relevant revenue account.

Provisions are classified as long term (in excess of twelve months) and short term (less than twelve months).

Notes to the Core Financial Statements

g. FINANCIAL INSTRUMENTS

The Organisation's financial instruments are represented by bank balances, inventories, trade creditors and trade debtors.

Bank balances are represented by cash balances held in UK bank accounts and are shown on the face of the Balance Sheet. Interest earned on balances are credited to the Comprehensive Income and Expenditure Statement.

Inventories are valued at average cost, and shown in the Balance Sheet at the lower of cost or net realisable value. Adequate measures are taken by the Organisation to minimise losses to inventory items through delivery processing, damage, obsolescence and security issues.

Trade debtors are stated in the Balance Sheet at historical cost. Irrecoverable debt is written off in the Comprehensive Income and Expenditure Statement. The Organisation is restricted to dealing with customers in the Public Sector and therefore its exposure to bad debt is minimised.

Trade Creditors are carried at historical cost and represent amounts owing to third party suppliers. Creditor accounts are settled on a cash basis when:-

- . satisfactory provision of the goods or service has been performed
- . there is reasonable evidence that the goods or service is imminent or substantially complete
- . an agreed contractual obligation exists to remit payment.

The Organisation has developed a global sourcing programme leading to increased trade with non euro zone suppliers. Every reasonable action to minimise the risk associated with sourcing product from non UK based suppliers has been taken.

r. ESTIMATION TECHNIQUES

This statement of accounts includes estimated figures for income due from suppliers in respect of marketing contributions and rebates earned on contractual business. The estimations are based on a prudent approach utilising prevailing market conditions, historical knowledge and contracted agreements.

Additionally estimates are included on valuations of certain elements of property, plant and equipment, stock and the pension fund. These estimates are provided by third parties holding relevant professional qualifications and are disclosed in the relevant notes to these accounts.

s. CASH & CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are deposits that are readily convertible to known amounts of cash with insignificant risk of change in value.

t. FOREIGN CURRENCY TRANSLATION

Where business transactions are processed in a currency other than Sterling the Sterling value at the point of the currency translation has been used. Where the amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate as at the 31 December. Resulting gains or losses are recognised in the Comprehensive Income and Expenditure Statement.

u. DEBTORS

Debtors are represented by balances due to the Organisation on trading activities net of a provision for bad or doubtful debt. They are stated at historical cost.

v. CREDITORS

Creditors are represented by balances owed by the Organisation on trading activities they are stated at historical cost. Creditor amounts due in foreign currencies at the end of the accounting period are re-stated on the prevalent conversion rate as at 31st December.

w. IMPACT OF ACCOUNTING STANDARDS ADOPTED SINCE THE LAST ACCOUNTING PERIOD

The Organisation has not been impacted through any accounting standards adopted since the last accounting period.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

The Code of Practice on Local Authority Accounting 2016/17 requires the Organisation to disclose information relating to the impact on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Organisation. There are no new accounting standards due to come into force in the next year.

The Organisation does not expect any significant changes however all the standards will be fully assessed and adopted where necessary in the 2018 Statement of Accounts.

Notes to the Core Financial Statements

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying these accounting policies the Organisation has made certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are :

Leasing

The Organisation has reviewed all classes of leases held by the Organisation and concluded that all of these leases constitute operating leases and therefore have no impact on the re-statement to and IFRS basis of accounting.

Related Party Transactions

The Organisation trades extensively with its owning authorities however, as no one particular authority can exert any controlling influence over the Organisation and all transactions are on an arms length basis they are not classified as related parties in this statement of accounts. For clarity trading with member authorities is included under note 17 of this statement.

Asset ownership

Under s102 of the Local Government Act 1972, a Joint Committee does not have the corporate status to acquire assets. However, given that YPO both enjoys the economic benefits from and assumes liabilities for its land and building assets, the "substance over form" policy justifies the inclusion of the assets in the Organisation's accounts.

Invoicing of direct supply goods

The Organisation recognises that due to the method employed to charge customers for direct supply deliveries, that goods delivered and in transit which have been invoiced by the supplier but not yet processed by the Organisation, are accounted for in the period in which the transaction is processed rather than delivered. This figure is not material for this statement of accounts and is reviewed annually.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on either assumptions made by the Organisation about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Items included in this Statement of Accounts for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, expected returns on pension assets and the discount rates used bring future assumptions to present values. A firm of consulting actuaries is engaged to provide the Organisation with expert advice about the assumptions to be applied.

These assumptions interact in complex ways and could produce a range of different results depending on the mix of changes in assumptions. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of around £2.241m.

Framework Contract Income

This statement of accounts includes an estimate of income due to the Organisation from suppliers operating on the Organisation's framework contracts as at 31st December. This estimate is on the basis described in note 1 (point r).

Whilst every effort is made by the Organisation to accurately forecast balances due to the Organisation as at the year end, there is a risk that returns on these contracts may either exceed or be less than the estimate made at the date of the closure of the accounts. The impact on the statements in the following year will be dependent on the mix of positive and negative variances against estimates. If the estimate of income due was to be different by 5% this would represent a movement of around £200K.

Property, Plant & Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.

The Organisation takes independent advice on the valuation of buildings and believes the depreciation policies adopted accurately reflect the current market value of assets held, however there is a risk that any sale value will be very much dependent on the economic climate at the point of sale. At the year end the Organisation was not intending disposing of any major assets.

Foreign currency transactions

Transactions in foreign currencies are recorded in the statement of accounts in sterling using the spot exchange rate on recognition of the liability.

Goods in transit from an overseas source are included in this statement of accounts valued at the spot rate as at the 31st December and any exchange rate difference arising on the actual payment will be accounted for in the income and expenditure account. The difference relates to the movement in spot rates between the two events.

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

During 2017 there have been several items of material income and expenditure that have been reflected in this statement of accounts. The main ones are;

Invoiced turnover in 2017 was £110.965m, £7.8m below the budget for the year and down on last year by £2.9m. A reduction in sales across most selling categories has contributed to this with Directs Furniture and School supplies the largest adverse variance against budget.

Notes to the Core Financial Statements

An additional £0.172m of catalogue contribution income has been taken in the year due to an under accrual of expected income in the 2015 year end accounts.

An increase in Employer's pension contribution rates from April 2017, up to 14.4% from 11.9% resulted in additional expenditure of £0.240m in the year.

An agreed dividend distribution of £7.928m for the trading year 2016 was distributed in September 2017. This distribution included all customers. As at the 31st December 2017 there was a balance of £173K of loyalty vouchers unredeemed.

6. TURNOVER

Turnover is the VAT exclusive value of invoiced sales for goods supplied from stock and by 'direct supply' arrangements. See also Statement of Accounting Policies note 1(b). Commission income from framework contracts arranged by the Organisation for customers is shown as Rebates. Supplier contributions for marketing support, canteen sales and other non-trading income are shown in Other Income.

7. RETIREMENT BENEFITS

Participation in pension schemes

As part of the terms and conditions of employment of its officers and other employees, YPO offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Organisation has a commitment to disclose the payments as at the time that officers and employees earn their future entitlement.

The organisation participates in the Local Government Pension Scheme (LGPS), administered by the West Yorkshire Pension Fund (WYPF). This is a funded defined benefit final salary scheme, meaning that the organisation pays contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The employers' rate of contribution for January to March 2017 was 11.9% and from April to December 2017 14.4%. Employees contributions in 2017 were between 5.5% and 12.5% depending on salary.

In addition the Organisation has awarded discretionary post-retirement benefits upon early retirement - this is an unfunded element of the defined benefit final salary scheme, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions relating to post - employment benefits

The Organisation is required to recognise the cost of retirement benefits when employees earn them, rather than when they are actually paid to pensioners. However the charge made against the general fund balance is limited to the employer's contributions payable to the Pensions Fund in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Statement of Movement in Reserves Statement during the year.

	Funded	Unfunded	Total	Funded	Unfunded	Total
	2016 £'000	2016 £'000	2016 £'000	2017 £'000	2017 £'000	2017 £'000
Comprehensive Income and Expenditure Account						
Cost of Service						
Current Service Cost	2,511	0	2,511	3,662	0	3,662
Past Service (Gain)/Cost	0	0	0	20	0	20
Curtailment (Gain)/Loss		0	0		0	0
Financing and investment income and Expenditure						
Net interest Expense	561	32	593	758	25	783
Total Post Employment Benefit Charged to the surplus or Deficit on the Provision of Services	3,072	32	3,104	4,440	25	4,465
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability						
Return on plan assets (gains)/losses	(11,444)	0	(11,444)	(7,387)	0	(7,387)
Actuarial (Gains) and losses-demographic assumptions	0	0	0	(3,311)	(22)	(3,333)
Actuarial (Gains) and losses-experience	(750)	(16)	(766)	(2,131)	(7)	(2,138)
Actuarial (Gains) and losses-financial assumptions	23,618	105	23,723	5,827	15	5,842
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	14,496	121	14,617	(2,562)	11	(2,551)
Movement in Reserves Statement						
Reversal of net charges made to the comprehensive Income and Expenditure account for post employment benefits in accordance with the Code	(3,072)	(32)	(3,104)	(4,440)	(25)	(4,465)
Actual amount charged against the General Fund balance for pensions in the year:						
- employer's contributions to the pension scheme	1,485		1,485	1,710		1,710
-retirement benefits payable to pensioners		64	64		63	63
Total Charge against the General fund	(1,587)	32	(1,555)	(2,730)	38	(2,692)

Notes to the Core Financial Statements

Post retirement mortality assumptions as at 31st December applicable to funded and unfunded pensions

	Males		Females	
	2016	2017	2016	2017
Rating to base table	0	0	0	0
Scaling to base table rates (Current)	105%	100%	100%	90%
Scaling to base table rates (Future)	-	115%	-	90%
Cohort improvement factors	CMI2012	CMI2012	CMI2012	CMI2012
Minimum underpin to improvement factors	1.50%	1.50%	1.50%	1.50%
Future lifetime from age 65 (currently aged 65)	22.7	22.1	25.6	25.2
Future lifetime from age 65 (currently aged 45)	24.9	23	28	27

Pension assets and liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the organisations obligation in respect of its defined benefit schemes is as follows

Pension Assets and Liabilities

Recognised in the Balance Sheet

Fair value of assets

Present value of the defined benefit obligation

Net liability arising from defined benefit obligation

Funded		Unfunded	
2016	2017	2016	2017
£000s	£000s	£000s	£000s
85,381	94,471	0	0
(114,302)	(119,120)	(974)	(922)
(28,921)	(24,649)	(974)	(922)

Reconciliation of Fair Value of the Scheme Assets

The unfunded liabilities do not have assets in the scheme to support them. Below is a breakdown of scheme assets in relation to the funded liabilities.

	2016 £'000	2017 £'000
Balance at 1st January	71,953	85,381
Interest income	2,651	2,298
Remeasurement gains/ (losses) on assets	11,444	7,387
Employer contributions	1,485	1,710
Contributions by scheme participants	811	834
Benefits paid	(2,963)	(3,139)
Balance at 31st December	85,381	94,471

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Funded Liabilities		Unfunded Liabilities	
	2016	2017	2016	2017
	£'000	£'000	£'000	£'000
Balance at 1st January	(87,863)	(114,302)	(917)	(974)
Current Service Cost	(2,511)	(3,662)		
Interest Cost	(3,212)	(3,056)	(32)	(25)
Contributions by scheme participants	(811)	(834)		
Remeasurement gains and (losses)				
<i>Actuarial gains and (losses) - demographic assumptions</i>	0	3,311		22
<i>Actuarial gains and (losses) - financial assumptions</i>	(23,618)	(5,827)	(105)	(15)
<i>Actuarial gains and (losses) - experience</i>	750	2,131	16	7
Benefits paid	2,963	3,139	64	63
Past service costs and curtailments	0	(20)		
Balance at 31st December	(114,302)	(119,120)	(974)	(922)

Local Government Pension Scheme Assets

The discretionary benefits arrangements have no assets to cover liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	Assets held	
	2016	2017
Equity investments	76.00%	77.30%
Property	4.40%	4.50%
Bonds	14.50%	13.10%
Other assets *	5.10%	5.10%
TOTAL	100.0%	100.0%

* Other holdings may include hedge funds, currency, asset allocation futures and other financial instruments. It is assumed that these will get a return in line with equities.

Notes to the Core Financial Statements

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates and salary levels. The scheme has been assessed by Hewitt Associates Limited, an independent firm of actuaries. Estimates for the fund have been based on the latest full valuation of the funded scheme as at the 31st March 2016 and the unfunded scheme as at 31st December 2017.

	Funded element		Unfunded element	
	2016	2017	2016	2017
Mortality assumptions				
Longevity at 65 for future pensioners				
Men	24.9 years	23.0 years		
Women	28.0 years	27.0 years		
Longevity at 65 for current pensioners				
Men	22.7 years	22.1 years	22.7 years	22.1 years
Women	25.6 years	25.2 years	25.6 years	25.2 years
Rate of Inflation (RPI)	3.20%	3.30%	3.20%	3.30%
Rate of Inflation (CPI)	2.10%	2.20%	2.10%	2.20%
Rate of Increase in Salaries	3.60%	3.45%	-	-
Rate of Increase in Deferred Pensions	2.10%	2.20%	-	-
Rate of Increase in Pensions	2.10%	2.20%	2.10%	2.20%
Rate for discounting scheme liabilities	2.70%	2.50%	2.70%	2.50%
Take-up of option to convert annual pension into retirement lump sum	75.00%	75.00%		

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method.

Impact on the Defined benefit Obligation in the Scheme

	Increase in Assumption £000	Decrease in Assumption £000
Member Life expectancy (+ or - 1 year)	3,719	(3,688)
Rate of increase in salaries (+ or - 0.1%)	576	(571)
Rate of increase in pensions (+ or - 0.1%)	1,701	(1,676)
Rate for discounting scheme liabilities (+ or - 0.1%)	(2,241)	2,284

Impact on the Organisation's Cash Flows

The liabilities show the underlying commitment that the Organisation has in the long run to pay post employment / retirement benefits. The total liability of £25,571k has a substantial impact on the net worth of the organisation as recorded in the balance sheet. Arrangements for funding the deficit mean that the financial position of the organisation remains healthy.

- The deficit on the scheme will be made good by contributions over the remaining working life of employees(i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The contributions expected to be made by the Organisation to the Local Government Pension Scheme in the year to 31st December 2018 are £1.828m. In addition, contributions towards the unfunded obligations will be required. Expected contributions for the discretionary benefits in the year to 31st December 2018 are £0.065m.

The weighted average duration of the defined benefit obligation for scheme members is 19.0 years.

The scheme will need to take account of the national charges to the scheme under the Public Pensions Services act 2013 Under the act, the Local Government pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

Notes to the Core Financial Statements

8. Property Plant and Equipment

As at 31 December 2017, the Organisation held the following assets

Property plant and equipment were predominantly represented by 43 Delivery vehicles (2016 = 48), 93 Container units (2016 = 93) and Land and Buildings comprising of one general supplies warehouse and office complex located at 41 Industrial Park, Wakefield and one located at Flanshaw Way, Wakefield (no change from 2016).

Property Plant and Equipment

Cost or valuation

Opening balance 1 January 2017
 Acc depreciation write out to gross carrying amount
 Revaluation increase / (decrease) recognised in the Revaluation Reserve
 Revaluation increase / (decrease) recognised in the I&E
 Additions
 Impairment
 Disposals

At 31 December 2017

Depreciation and impairments

Opening balance 1 January 2017
 Charge for depreciation 2017
 Disposals
 Impairment
 Acc depreciation write out to gross carrying amount
 Revaluation

At 31 December 2017

Net Book Value at 31 December 2017

Net Book Value at 1 January 2017

	Land & Buildings £'000	Furniture & Equipment £'000	Computers £'000	Vehicles £'000	TOTAL £'000
Opening balance 1 January 2017	9,058	738	925	3,336	14,057
Acc depreciation write out to gross carrying amount	(157)			-	(157)
Revaluation increase / (decrease) recognised in the Revaluation Reserve		-	-	-	0
Revaluation increase / (decrease) recognised in the I&E	98	-	-	-	98
Additions	0	0	0	-	0
Impairment					
Disposals					
At 31 December 2017	9,000	738	925	3,336	13,999
Depreciation and impairments					
Opening balance 1 January 2017	0	436	864	2,915	4,215
Charge for depreciation 2017	157	42	17	112	329
Disposals		-	-	-	0
Impairment		-	-	-	0
Acc depreciation write out to gross carrying amount					0
Revaluation	(157)	-	-	-	(157)
At 31 December 2017	0	478	881	3,028	4,387
Net Book Value at 31 December 2017	9,000	260	44	308	9,612
Net Book Value at 1 January 2017	9,058	302	61	421	9,842

2016 Comparative

Property Plant and Equipment

Cost or valuation

Opening balance 1 January 2016
 Acc depreciation write out to gross carrying amount
 Revaluation increase / (decrease) recognised in the Revaluation Reserve
 Revaluation increase / (decrease) recognised in the I&E
 Additions
 Impairment
 Disposals

At 31 December 2016

Depreciation and impairments

Opening balance 1 January 2016
 Charge for depreciation 2016
 Disposals
 Impairment
 Acc depreciation write out to gross carrying amount
 Revaluation

At 31 December 2016

Net Book Value at 31 December 2016

Net Book Value at 1 January 2016

	Land & Buildings £'000	Furniture & Equipment £'000	Computers £'000	Vehicles £'000	TOTAL £'000
Opening balance 1 January 2016	9,240	732	925	3,336	14,233
Acc depreciation write out to gross carrying amount	(156)			-	(156)
Revaluation increase / (decrease) recognised in the Revaluation Reserve		-	-	-	0
Revaluation increase / (decrease) recognised in the I&E	(26)	-	-	-	(26)
Additions	0	6	0	-	6
Impairment					
Disposals					
At 31 December 2016	9,058	738	925	3,336	14,057
Depreciation and impairments					
Opening balance 1 January 2016	0	387	847	2,727	3,961
Charge for depreciation 2016	156	49	17	188	410
Disposals		-	-	-	0
Impairment		-	-	-	0
Acc depreciation write out to gross carrying amount					0
Revaluation	(156)	-	-	-	(156)
At 31 December 2016	0	436	864	2,915	4,215
Net Book Value at 31 December 2016	9,058	302	61	421	9,842
Net Book Value at 1 January 2016	9,877	367	47	252	10,544

Notes to the Core Financial Statements

8a. Intangible Assets

During 2014 the Organisation spent £118K on developing the company's website, on which customers can place orders and make payments. The costs incurred included IT Development and testing time. All costs have been capitalised as Intangible Assets and amortised over 3 years from the time the assets became operational.

31st Dec 2017

Cost or valuation

Opening balance 1 January 2017
 Additions
 Impairment
 Disposals

Intangible Assets £'000
118

At 31 December 2016

118

Amortisation and impairments

Opening balance 1 January 2017
 Amortisation charge for 2017
 Impairment
 Disposals

88
30

At 31 December 2017

118

Net Book Value at 31 December 2017

0

Net Book Value at 1 January 2017

30

2015 Comparative

Cost or valuation

Opening balance 1 January 2016
 Additions
 Impairment
 Disposals

Intangible Assets £'000
118

At 31 December 2015

118

Amortisation and impairments

Opening balance 1 January 2016
 Amortisation charge for 2016
 Impairment
 Disposals

49
39

At 31 December 2016

88

Net Book Value at 31 December 2016

30

Net Book Value at 1 January 2016

69

9. Inventories

31st Dec 2017	Warehouse Stock £000's	Packing and Materials £000's	Total £000's
Opening inventory balance	12,373	63	12,436
Purchases	60,129	276	60,405
Recognised as an expense in year	(59,853)	(303)	(60,156)
Increase in Stock in Transit accrual	164	-	164
Reversals of write offs in previous years	0	-	0
Closing Inventory balance	12,813	36	12,849
Provision for stock write off	(100)	0	(100)
Closing Inventory balance net of provisions made	12,713	36	12,749

31st Dec 2016	Warehouse Stock £000's	Packing and Materials £000's	Total £000's
Opening inventory balance	12,577	55	12,632
Purchases	61,657	373	62,030
Recognised as an expense in year	(61,804)	(365)	(62,169)
Reduction of Stock in Transit accrual	(60)	-	(60)
Reversals of write offs in previous years	4	-	4
Closing Inventory balance	12,373	63	12,436
Provision for stock write off	(223)	0	(223)
Closing Inventory balance net of provisions made	12,150	63	12,213

Notes to the Core Financial Statements

10. DEBTORS AND PAYMENTS IN ADVANCE

Debtors represent monies owed to the Organisation at the Balance Sheet date, which are yet to be received as cash. The Organisation also makes provision for outstanding monies that it is anticipated will not be recovered.

	31st Dec 2016 £'000	31st Dec 2017 £'000
Trade Debtors	8,053	9,681
Accumulated Absences	7	7
Less - Provision for Bad Debts	(66)	(112)
	7,994	9,576
Payments in Advance and accrued income	4,359	5,078
Total	12,353	14,654

Debtors are analysed by the following categories

Trade debtors

central government bodies
other local authorities
NHS bodies
public corporations and trading funds
bodies external to general government (i.e. all other bodies).

	31st Dec 2016 £'000	31st Dec 2017 £'000
central government bodies	0	0
other local authorities	5,736	5,931
NHS bodies	27	19
public corporations and trading funds	0	0
bodies external to general government (i.e. all other bodies).	2,289	3,730
	8,053	9,681

Payments in advance and accrued income

central government bodies
other local authorities
NHS bodies
public corporations and trading funds
bodies external to general government (i.e. all other bodies).

	31st Dec 2016 £'000	31st Dec 2017 £'000
central government bodies	-	-
other local authorities	-	-
NHS bodies	-	-
public corporations and trading funds	-	-
bodies external to general government (i.e. all other bodies).	4,359	5,078
	4,359	5,078

11. CREDITORS AND RECEIPTS IN ADVANCE

Creditors represent monies owed by the Organisation at the Balance Sheet date, which have not yet been paid.

	31st Dec 2016 £'000	31st Dec 2017 £'000
Creditors and Receipts in Advance		
Trade Creditors	5,693	5,212
Accruals	1,764	2,455
VAT	-32	197
Accumulated absences	118	118
Total	7,543	7,982

Creditors are analysed by the following categories

Trade creditors

central government bodies
other local authorities
NHS bodies
public corporations and trading funds
bodies external to general government (i.e. all other bodies).

	31st Dec 2016 £'000	31st Dec 2017 £'000
central government bodies	-	-
other local authorities	47	38
NHS bodies	-	-
public corporations and trading funds	-	-
bodies external to general government (i.e. all other bodies).	5,646	5,174
	5,693	5,212

Accruals/VAT

central government bodies
other local authorities
NHS bodies
NHS bodies
public corporations and trading funds
bodies external to general government (i.e. all other bodies).

	31st Dec 2016 £'000	31st Dec 2017 £'000
central government bodies	-32	197
other local authorities	607	642
NHS bodies	-	-
NHS bodies	-	-
public corporations and trading funds	-	-
bodies external to general government (i.e. all other bodies).	1,275	1,931
	1,850	2,770

Long Term Liabilities

Liability relating to Defined Benefit Pension Scheme

	31st Dec 2016 £'000	31st Dec 2017 £'000
Liability relating to Defined Benefit Pension Scheme	29,895	25,571
Total	29,895	25,571

Notes to the Core Financial Statements

12. RISK TO FINANCIAL INSTRUMENTS

The organisation's financial instruments are represented by bank balances, trade creditors and trade debtors. Certain risks are associated with these classes of cash and cash equivalents as follows.

Bank balances are held in UK bank accounts and earn interest based on aggregated overnight investments rates determined by our banking providers. Risks to cash arise in the form of banking failures within the UK.

Creditors are suppliers of goods and services to the organisation. Risk is minimised from a robust set of procedures to ensure that all goods and services supplied to the organisation are properly ordered and received prior to the payment of any sums due.

Debtors are comprised of customers and some trade suppliers owing funds to the organisation. The inherent risk is one of failure to settle outstanding debts due to bankruptcy or other financial problems. Most customers are within the public sector which mitigates this risk to a large extent.

At the end of the financial year the Organisation was at increased risk over debtors due to changes in the economic climate chiefly brought about by the impact of the Government's comprehensive spending review on the organisation's customer base and the change in education from state to academy status schools. Debtors past due are as follows :-

	2016 £'000	2017 £'000
Two to six months	1,890	2,843
Six months to one year	222	216
More than one year	61	111
Total	2,173	3,170

A general provision of £112k (2016 £66k) has been included against all debtors. Bad debt calculations are based on the debtor type and agreed upon with the sales ledger manager.

13. MOVEMENTS IN RESERVES

The General Fund Reserve represents the cumulative retained surplus built up over the life of the business. The General Fund Reserve is used to finance growth in working capital and supports the medium term plans of the business.

The table below shows the balances held in other reserves at the start and end of the year and the net movement in the year. The balances represent undistributed reserves payable to the member authorities.

Reserve	31st Dec 2016 £'000	31st Dec 2017 £'000	Net Movement in the Year £'000	Note
<u>Usable reserves</u>				
General Fund Balance	28,818	28,261	(557)	i
Capital Receipts Reserve	85	85	0	ii
Internal Investment Reserve	1,770	1,696	(74)	iii
<u>Unusable reserves</u>				
Joint Committee Capital Adjustment Account	10,545	10,285	(259)	iv
Earmarked Pension reserve	(29,895)	(25,571)	4,324	v
Earmarked Accumulated Absences Account	(111)	(111)	0	vi
Revaluation reserve	0	0	0	vii
Total reserves	11,213	14,646	3,433	

to protect the Organisation against unforeseen events and the realisation of contingent liabilities. Included within the overall General Fund balance is the Financial Stability Fund which as at 31st December 2017 had a balance of £1m.

Notes to the Core Financial Statements

	2016 £'000	2017 £'000
General fund balance		
Balance brought Forward 1st of January	30,302	28,818
Surplus or deficit on operations	(4,039)	(3,593)
Total comprehensive income and expenditure	(4,039)	(3,593)
Depreciation and impairment	475	270
Revaluation losses (gains)		
Capital expenditure charged to the GF	(6)	0
Transfer of cash sale proceeds		
Use of UCRR to fund capital expenditure		
Reversal of IAS 19 charges to I&E	3,104	4,465
Employer's pension contributions	(1,549)	(1,773)
Movement in employee absence accrual	(2)	(0)
Total voluntary adjustments	2,023	2,962
Pension Contribution Reserve	-	-
Internal Investment Reserve	533	74
Total transfers to/from cash reserves	533	74
Total transfers to/from earmarked reserves	2,556	3,036
Balance Carried Forward 31st December	28,818	28,261
Movement in year represented in the Movement in Reserves Statement	(1,484)	(557)

(ii) The Usable Capital Receipts reserve records the receipts from sales of fixed assets less amounts used to finance capital expenditure.

	2016 £'000	2017 £'000
Usable Capital Receipts Reserve		
Balance brought Forward 1st of January	85	85
Amounts Received		
General receipts	-	-
Amounts Applied		
New Capital Investment	-	-
Balance Carried Forward 31st December	85	85
Movement in year represented in the Movement in Reserves Statement	-	-

(iii) The Internal Investment Reserve holds funds earmarked to support specific initiatives or activities.

	2016 £'000	2017 £'000
Internal Investment Reserve		
Balance brought Forward 1st of January	2,303	1,770
Transferred to Reserves		
Reserves for specific projects created in year	580	455
Amounts Applied		
Reserve balances utilised in year	(1,112)	(529)
Amounts released back to the General Fund		
Reserve balances no longer required and released back to the General Fund		
Balance Carried Forward 31st December	1,770	1,696
Movement in year represented in the Movement in Reserves Statement	(533)	(74)

Notes to the Core Financial Statements

(iv) The Joint Committee Capital Adjustment Account is an earmarked reserve representing the accumulation of the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal, offset by the resources that have been set aside to finance capital expenditure.

The Joint Committee Capital Adjustment Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure and to repay debt.

Joint Committee Capital Adjustment Account	2016 £000	2017 £000
Balance brought Forward 1st of January Brought Forward adjustment	11,014	10,545
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(475)	(270)
Revaluation (losses) gains on property plant and equipment	-	10
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-	-
Adjusting amounts written out of Revaluation Reserve	0	0
Net Written out amount of the cost of non-current assets consumed in the year	10,539	10,285
Capital financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-
Capital expenditure charged against the General Fund	6	0
	10,545	10,285
Balance Carried Forward 31st December	10,545	10,285
Movement in year represented in the Movement in Reserves Statement	(469)	(259)

(v) The Earmarked Pension Reserve is an earmarked reserve representing the difference between the actuarially calculated value of the pension fund assets and the present value of scheme liabilities.

Earmarked Pension Reserve	2016 £000	2017 £000
Balance bought forward 1st January	(16,827)	(29,895)
Actuarial Gains or (losses) on pension assets and Liabilities	(11,513)	7,016
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,104)	(4,465)
Employers pensions contributions and direct payments to pensioners payable in year	1,549	1,773
Balance Carried Forward 31st December	(29,895)	(25,571)
Movement in year represented in the Movement in Reserves Statement	(13,068)	4,324

(vi) The Earmarked Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year. Proper accounting arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Earmarked Accumulated Absences Account	2016 £000	2017 £000
Balance bought forward 1st January	(113)	(111)
Settlement or cancellation of accrual made in preceding year	113	111
Amount to be accrued for current year	(111)	(111)
Amount to be charged to the Comprehensive Income and Expenditure Statement	1	0
Balance as at 31st December	(111)	(111)
Movement in year represented in the Movement in Reserves Statement	1	0

Notes to the Core Financial Statements

(vii) The Revaluation reserve represents unrealised gains on the revaluation of property plant and equipment. The balance is reduced when assets with accumulated gains are:

- a) revalued downwards or impaired and the gains are removed
- b) used in provision of services and the gains are consumed through depreciation, or
- c) disposed of and the gains realised

Revaluation Reserve	2016 £000	2017 £000
Balance brought Forward 1st of January	0	0
Upward revaluation of assets	-	-
Difference between fair value depreciation and historical cost depreciation	0	0
Revaluation written out to the General Fund	0	0
Adjusting amounts written out of the Joint Committee Capital Adjustment Account		
Balance Carried Forward 31st December	0	0
Movement in year represented in the Movement in Reserves Statement	0	0

14. EMPLOYEE EMOLUMENTS

The table below indicates the numbers of employees whose remuneration was greater than £50,000. Remuneration is defined as amounts paid to or receivable by an employee, including payments in kind, expenses allowances that would be chargeable to UK Income Tax. Termination payments are also included, which can lead to year on year comparisons being distorted.

REMUNERATION BAND £	No of Employees	
	2016 Re-stated	2017
50,000 - 54,999	6	8
55,000 - 59,999	4	4
60,000 - 64,999	2	3
65,000 - 69,999	1	-
70,000 - 74,999	-	1
75,000 - 79,999	-	1
TOTAL	13	17

*2016's remuneration banding has been re-stated as the numbers disclosed in the 2016 Statement of Accounts did not include the lease car benefits.

The table below sets out the remuneration disclosure (Board of Directors) whose salary is £50,000 per year or more by job title. Comparative figures for 2015 are also shown and these officers are excluded from the above table.

2017						
Post	Salary incl. BiK	Expenses	Pay in Lieu of Notice	Redundancy Pay	Pension Contributions	Total Remuneration
Managing Director	128,733	-	-	-	16,994	145,727
Executive Director	95,203	-	-	-	12,278	107,481
Executive Director	94,047	-	-	-	12,278	106,325
Executive Director	90,613	-	-	-	11,875	102,488
	408,595	-	-	-	53,426	462,021

2016						
Post	Salary incl. BiK	Expenses	Pay in Lieu of Notice	Redundancy Pay	Pension Contributions	Total Remuneration
Managing Director	126,532	-	-	-	14,592	141,123
Executive Director	94,871	-	-	-	10,542	105,413
Executive Director	93,512	-	-	-	10,542	104,054
Assistant Director	82,239	-	-	-	9,228	91,467
	397,153	-	-	-	44,905	442,058

Notes to the Core Financial Statements

The number of exit packages with the total cost per band of compulsory and other redundancies are set out below.

EXIT PACKAGE £	No. of compulsory redundancies		No. of other departures		Total no. of exit packages		Total cost of exit packages	
	2016 No.	2017 No.	2016 No.	2017 No.	2016 No.	2017 No.	2016 £,000's	2017 £,000's
0 - 20,000	-	-	1	8	1	8	13	55
20,001 - 40,000	-	-	-	3	-	3	-	90
40,001 - 60,000	-	-	1	-	1	-	45	-
60,001 - 80,000	-	-	-	-	-	-	-	-
80,000 and over	-	-	-	1	-	1	-	139
Total	-	0	2	12	2	12	58	284

Exit packages include redundancy costs, the cost of additional payments to the pension scheme and other departure costs.

15. OPERATING LEASES

An operating lease means that the risks and rewards of ownership remain with the lessor.

The Organisation has entered into operating leases with various lives. The future minimum lease payments due under non-cancellable leases in future years are:

	2016 £000	2017 £000
Not later than one year	275	293
Later than one year and not later than five years	423	411
Later than five years	2,233	2,204
	2,931	2,908

Amounts charged, in respect of these leases, to the Comprehensive Income and Expenditure Statement during 2017 were £500k (2016 £470k) of which £29K was rent of Flanshaw Way. The later than five years figure is comprised entirely of a long term lease agreement on the land element of a warehouse property held at Flanshaw Way in Wakefield.

16. AMOUNTS REPORTED FOR DECISION MAKING AND PLANNING

The analysis of Income and Expenditure on the face of the Comprehensive Income and Expenditure Statement is that specified by the Code. This is different to the basis on which the Organisation carries out its budgeting decision making and planning process.

The following shows how the Organisations financial reporting output can be reconciled to the Comprehensive Income and Expenditure Statement.

2016 £'000	YPO Profit & Loss	2017 £'000
	Trading	
71,924	Stores	71,111
15,625	Food	15,171
26,355	Directs	24,684
113,904	Total Invoiced Sales	110,965
(83,926)	Cost of Sales	(80,316)
29,978	Gross Margin	30,649
142	Discounts	128
4,335	Rebates	5,299
2,905	Other Income	2,216
37,361	Total Income	38,292
	Operating Costs	
(17,583)	Employment costs	(17,976)
(940)	Premises	(1,117)
(6,178)	Supplies and Services	(6,453)
(4,583)	Transport	(4,608)
(102)	SLA costs	(127)
(143)	Financial & Misc	(267)
(475)	Depreciation	(270)
(30,005)	Total Operating Costs	(30,817)
70	Interest (payable)/receivable	17
-	Profit/(loss) on disposal of assets	-
-	Dividend paid	-
-	Pension costs	-
7,426	Surplus or (deficit)	7,492

Notes to the Core Financial Statements

2015 £'000	Reconciliation of P&L Account to I&E Account	2016 £'000
7,426	Net Profit in P&L Account	7,492
(11,465)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management	(11,085)
-	Amounts included in the P&L not included in the Comprehensive Income and Expenditure Statement	-
(4039)	Surplus/(Deficit) on provision of service	(3593)

Reconciliation of Profit and Loss Account to Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the profit and loss account relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

YPO Profit & Loss 2017	P&L Acct £'000	Amts not Alloc'n of rptd for mgt reporting dec making expenses		I&E Statement £'000
		£'000	£'000	
Total Invoiced Sales	110,965	-	-	110,965
Cost of Sales	(80,316)	-	-	(80,316)
Gross Margin				
Discounts	128	-	-	128
Rebates	5,299	-	-	5,299
Other Income	2,216	-	-	2,216
Total Income	38,292	0	-	38,292
Operating Costs				
Employment costs	(17,976)	-	-	(17,976)
Premises	(1,117)	-	-	(1,117)
Supplies and Services	(6,453)	-	-	(6,453)
Transport	(4,608)	-	-	(4,608)
SLA costs	(127)	-	-	(127)
Financial & Misc	(267)	-	-	(267)
Depreciation	(270)	-	-	(270)
Total Operating Costs	(30,817)	0	-	(30,817)
Interest (payable)/receivable	17	-	-	17
Profit/(loss) on disposals	-	-	-	0
Dividend paid	-	(7,864)	-	(7,864)
Earmarked reserves funding	-	(529)	-	(529)
Pension costs	-	(2,692)	-	(2,692)
Surplus or (deficit) on provision of service	7,492	(11,085)	-	(3,593)

YPO Profit & Loss 2016	P&L Acct £'000	Amts not Alloc'n of rptd for mgt reporting dec making expenses		I&E Statement £'000
		£'000	£'000	
Total Invoiced Sales	113,904	-	-	113,904
Cost of Sales	(83,926)	-	-	(83,926)
Gross Margin				0
Discounts	142	-	-	142
Rebates	4,335	-	-	4,335
Other Income	2,905	-	-	2,905
Total Income	37,361	0	-	37,361
Operating Costs				
Employment costs	(17,583)	-	-	(17,583)
Premises	(940)	-	-	(940)
Supplies and Services	(6,178)	-	-	(6,178)
Transport	(4,583)	-	-	(4,583)
SLA costs	(102)	-	-	(102)
Financial & Misc	(143)	-	-	(143)
Depreciation	(475)	-	-	(475)
Total Operating Costs	(30,005)	0	-	(30,005)
Interest (payable)/receivable	70	-	-	70
Profit/(loss) on disposals	-	-	-	0
Dividend paid	-	(8,798)	-	(8,798)
Earmarked reserves funding	-	(1,112)	-	(1,112)
Pension costs	-	(1,555)	-	(1,555)
Surplus or (deficit) on provision of service	7,426	(11,465)	-	(4,039)

Notes to the Core Financial Statements

17. RELATED PARTY TRANSACTIONS

The Organisation is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Organisation or to be controlled or influenced by the Organisation.

Transactions with Founder Member Authorities are shown here for clarity. Founder member authorities are not classified as related parties under the Code of Practice or for the purpose of group accounting but have joint control over the Organisation's decision making and business planning. In addition to the founder members the Organisation has 59 associate members who have no influence over Organisational decision making.

Business transactions with the 13 founder members accounts for a significant proportion of the Organisation's turnover. Membership entitles these authorities to a share of any annual profits and equal powers over key business decisions.

The value of business transacted with each founder member was:

	2016 £'000	2017 £'000
Barnsley	17,096	14,987
Bolton	9,998	5,932
Bradford	25,108	24,242
Calderdale	11,901	9,124
Doncaster	15,868	16,229
Kirklees	27,367	30,981
Knowsley	9,820	8,089
North Yorkshire	22,882	17,917
Rotherham	13,231	11,243
St Helens	11,138	9,986
Wakefield	21,333	16,364
Wigan	16,387	12,878
York	6,461	5,851
	208,590	183,822

The above table includes trade direct with the Organisation which is included in invoiced turnover and business transacted through framework contracts arranged by the Organisation. which are not accounted for as turnover in the comprehensive income and expenditure account.

The YPO Management Committee is made up of elected representatives from each Member Authority. No personal interest in material transactions have been disclosed by any of the elected representatives or senior officers of the Organisation.

One of the Member Authorities, City of Wakefield MDC, acts as servicing authority for YPO and as such, WMDC officers are the Organisation's statutory officers. YPO has commercial support agreements with Wakefield MDC covering certain accounting, treasury, human resource, legal services and vehicle maintenance arrangements.

In 2014 YPO Procurement Holdings and its subsidiary YPO Supplies Ltd began trading with YPO Joint Committee. Board members for YPO Procurement Holdings and YPO Supplies are also members of the Joint Committee board and therefore all transactions between the above companies are classed as related party transactions in accordance with the Code of practice for Local Authority Accounting

The transactions involve a payment from YPO Supplies Ltd to YPO Joint Committee for picking items in the warehouse and the cost of telephone call handing. Those charges are at a standard cost. The cost of goods sold is paid by the Limited Company to the Joint Committee at an agreed transfer price. This includes an element of sales, procurement and marketing costs incurred by the Joint Committee. Other charges include a fee for governance and accounting services. The rationale is to recover the costs of operating on behalf of the new company.

Below is a summary of the amount of transactions that have occurred between the related parties and the amount of Balances outstanding. All transactions are sales from YPO Joint Committee.

	Transactions Value (Ex VAT) for the year £	Outstanding Balance as at 31st Dec 2017 £
YPO Procurement Holdings	-	-
YPO Supplies Ltd	1,470,391	261,913

18. AUDIT COSTS

The following fees were paid to the external auditors for services carried out:

	2016 £000	2017 £000
Audit Costs		
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor	23	23

Notes to the Core Financial Statements

19. EVENTS AFTER THE BALANCE SHEET DATE

The 23rd March 2018 Management Committee Meeting approved the pre audit statement of Accounts and agreed a profit distribution in respect of the 2017 trading year of £x.xxxm covering members dividend and the YPO loyalty scheme.

This Statement incorporates changes identified during the course of the audit process and no other events have given rise to changes in this statement between the balance sheet date and the authorisation for issue date of the 25th May 2018 when the accounts were authorised for issue by the Audit and Scrutiny Sub Committee.

Glossary of Terms

This glossary is provided to assist the reader. It gives explanations of common terms used in relation to local authority finance (which are not explained elsewhere in the Statement), many of which are used within this document.

Accounting Period

The period covered by the accounts, normally a period of twelve months commencing on 1 January. The end of the accounting period is the balance sheet date, 31 December.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

Accumulated Absences

Accumulated absences are sums owing to or from employees at the end of the accounting period not yet claimed back or paid over for hours owed to / from under the flexible working scheme and holiday days over or under used at the period end.

Annual Governance Statement

A non-statutory document which provides an overview of the governance arrangements within the Organisation, aids the effective exercise of Organisation functions, and includes arrangements for the management of risk.

Asset

An item having value in monetary terms. Assets are defined as current or long term. A current asset will be consumed or cease to have material value within the next financial year. A long term asset provides benefits to the Organisation and its services for more than one year.

Audit of Accounts

An independent examination conducted on a test basis, of the Organisation's financial statements.

Budget

A statement of spending plans and anticipated income for a financial year.

Cash equivalents

Are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalent vouchers

These are vouchers issued to customers as loyalty bonus which are redeemable against future purchases.

Current Assets

Is an amount which will become receivable or could be called in within the next accounting period.

Defined Benefit Plans

Are post employment benefit plans other than a defined contribution plan. Usually the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the plan. The plan may be funded or unfunded.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a long term asset, whether arising from use, passing of time or obsolescence through technological or other changes.

Direct Supply

Direct supply refers to the trading method employed by the Organisation where goods ordered by the customer are delivered direct from the supplier rather than the Organisation.

either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Organisation's financial performance.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a long term asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments including any initial payments amount to substantially all of the fair value of the leased asset.

Financial Instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term "financial instrument" covers both financial assets and financial liabilities and includes trade receivables, trade payables and derivatives.

Financial Procedure Rules

Written rules of the Organisation relating to all matters with financial implications. All Organisation officers must comply with these rules.

Impairment

A reduction in the value of a long term asset below its carrying amount on the balance sheet.

International Accounting Standards (IAS)

Standards developed by the International Accounting Standards Board (IASB) that are required to be followed.

International Financial Reporting Standards (IFRS)

The Standards (including International Accounting Standards (IAS)) developed by the International Accounting Standards Board (IASB) and supported by interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) on which the accounts of this Organisation are based.

Inventories

Inventories include stocks held for resale and all other assets held for use within the Organisation.

Liability

A liability is where the Organisation owes payment to an individual or organisation. A current liability is an amount which will become payable or could be called in within the next accounting period. A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period.

Net Book Value

The amount at which long term assets are included in the Balance Sheet i.e. their historical value or current value less the cumulative amounts provided for depreciation.

Net Expenditure

Gross expenditure less specific income.

Outturn

Actual income receivable and expenditure due in a financial year.

Payments in Advance

These are payments made in advance of goods or services being provided to the Organisation.

Prior year adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as

far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

Reserve

A reserve is an amount set aside in one financial year and carried forward to meet liabilities in a subsequent financial year, both general and specific liabilities.

Turnover

Turnover is the value of invoices issued to customers for the supply of goods and services.

Useful life

The period over which the Organisation will derive benefits from the use of a long term asset.

Index of notes

Index-Notes to the Core Financial Statements	Note no	Page no
Accounting Policies	1	13
Accounting standards issued but not yet adopted	2	17
Amounts reported for decision making and planning	16	29
Assumptions made about the future	4	18
Audit Costs	18	31
Creditors	11	24
Critical judgements in applying accounting policies	3	18
Debtors	10	24
Events after the Balance Sheet date	19	32
Inventories	9	23
Operating Leases	15	29
Material items of income and expense	5	18
Property Plant and Equipment	8	22
Intangible Assets	8a	23
Related party transactions	17	31
Employee Emoluments	14	28
Movement in Reserves	13	25
Retirement benefits accounted for as defined benefit contribution schemes	7	19
Risks to financial instruments	12	25
Turnover	6	19

	<p>YPO</p> <p>AUDIT & SCRUTINY SUB-COMMITTEE</p> <p>TO BE HELD ON</p> <p>16TH FEBRUARY 2018</p>
---	--

TITLE: INTERNAL AUDIT – ANNUAL REPORT – JANUARY TO DECEMBER 2017

REPORT OF: THE s151 OFFICER

1 PURPOSE OF REPORT

1.1 To present:

- The draft Annual Audit Report (see attached Appendix A) for 2017, in line with the requirements of the Internal Audit Protocol and the Public Sector Internal Audit Standards.
- An Internal Audit Progress report covering work undertaken between 1 January 2017 and January 2018 (see attached Appendix B).

1.2 To receive the following Internal Audit Opinion (extract from YPO Annual Governance Statement [AGS] 2017):

'From the work undertaken by Internal Audit during 2017, key controls were found to be in place to manage associated risks to the required level, with no significant errors, losses or omissions identified in the majority of systems subject to review. However the result of the investigation undertaken during the year relating to the Bank Fraud perpetrated against YPO, revealed that established controls had not been robustly applied by Officers, had they been the fraud would have been unlikely to succeed. This following on from the procurement fraud which occurred in 2016 relating to the misappropriation of goods by diverting the delivery of laptops to a bogus address, raises concerns as to the extent that Officers are aware of the risk of fraud against the organisation and are adhering to established control processes.

It is acknowledged that Senior Management continues to strengthen overall governance arrangements, including implementing audit recommendations to improve areas of control weakness identified from individual Internal Audit reviews. Consequently there are no new key control improvements arising from Internal Audit work that require inclusion in Section 5 of the 2017 AGS."

2 BACKGROUND INFORMATION

- 2.1 The Annual Report, which has been produced in line with the Public Sector Internal Audit Standards, is attached at Appendix A. It presents the Service Manager Internal Audit & Risk's opinion on the overall adequacy and effectiveness of YPO's internal control environment, based on the outcomes of audit work undertaken.
- 2.2 The Progress Report covering work undertaken between 1 January 2017 and January 2018, included as Appendix B, is presented for consideration by the Audit Sub-Committee in line with agreed protocols for periodically keeping Members updated on issues arising from Internal Audit work.

3 STRATEGIC IMPLICATIONS

- 3.1 Internal Audit's work includes involvement at a strategic level. A number of audits in the 2017 Internal Audit Plan are linked to various YPO strategic risks.

4 FINANCIAL IMPLICATIONS

- 4.1 There are no specific financial implications associated with this report. The programme of audit work during 2017 was completed at a cost to YPO of £45000 which was in line with the original Annual Audit Plan agreed by Members.

5 LEGAL IMPLICATIONS

- 5.1 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 a robust financial control environment and the proper administration of the Organisation's financial affairs.

6 EQUALITY IMPLICATIONS

- 6.1 There are no direct implications relating to equality.

7 RISK IMPLICATIONS

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

8 RECOMMENDATIONS

- 8.1 That Members consider and comment on the Annual Report attached at Appendix A, prior to it being forwarded to Management Committee for formal acceptance.
- 8.2 That Members comment on and endorse the Internal Audit Progress report attached as Appendix B to this report.

CONTACT OFFICERS:

Neil Warren Chief Finance Officer & S151 Officer (Wakefield Council)

Telephone No: 01924 306433

E-mail address: nwarren@wakefield.gov.uk

Julie Gill, Interim Head of Internal Audit & Risk (Wakefield Council)

Telephone No: 01924 303619

E-mail address: jgill@wakefield.gov.uk

APPENDIX:

Appendix 1 – Internal Audit Annual Report 2017

**Internal Audit
Annual Report**

YPO

January to December 2017

INTRODUCTION

1. This annual report is produced in line with the requirements of the Public Sector Internal Audit Standards and covers the period January to December 2017. The report feeds back progress and outcomes against the Annual Audit Plan for the period.
2. Members should note that the programme of internal audit work was completed in line with the allocation of days recorded in the original Annual Audit Plan. Any ongoing audit work as at the 31st December 2017 has been included within the Plan for January to December 2017, in line with arrangements agreed with YPO management.

SUMMARY AUDIT OPINION

3. Wakefield Council Internal Audit's overall opinion on the systems of internal control at YPO during 2017, which will be included in YPO's 2017 Annual Governance Statement (AGS), is as follows:

'From the work undertaken by Internal Audit during 2017, key controls were found to be in place to manage associated risks to the required level, with no significant errors, losses or omissions identified in the majority of systems subject to review. However the result of the investigation undertaken during the year relating to the Bank Fraud perpetrated against YPO, revealed that established controls had not been robustly applied by Officers, had they been the fraud would have been unlikely to succeed. This following on from the procurement fraud which occurred in 2016 relating to the misappropriation of goods by diverting the delivery of laptops to a bogus address, raises concerns as to the extent that Officers are aware of the risk of fraud against the organisation and are adhering to established control processes.

It is acknowledged that Senior Management continues to strengthen overall governance arrangements, including implementing audit recommendations to improve areas of control weakness identified from individual Internal Audit reviews. Consequently there are no new key control improvements arising from Internal Audit work that require inclusion in Section 5 of the 2017 AGS."

INTERNAL AUDIT PERFORMANCE

4. In respect of the performance of the Internal Audit Service, the planned work for the period January to December 2017 was substantially completed by the end of December 2017 in line with the days originally agreed.
5. No concerns have been raised regarding the nature and conduct of Internal Audit work by the External Auditor.
6. Wakefield Council Internal Audit Service has been the subject of a Public Sector Internal Audit Standards External Compliance Assessment Peer Review, which was conducted by the Head of Internal Audit at Calderdale Council. An external assessment must be conducted at least once every five years. The current assessment represents the first external assessment of Wakefield's Internal Audit arrangements against these Standards. The report, dated the 20th December 2016, states that the function "Generally Conforms" to the Public Sector Internal Audit Standards and Code of Ethics. "Generally Conforms" is the top rating and means that the Internal Audit activity has a Charter, policies and processes that are judged to be

in conformance with the Standards. The findings and suggested actions from the report are being considered in order to develop a Quality Assurance and Improvement Programme which will be used and maintained on an ongoing basis.

7. All Internal Audit work is subject to a quality control process, including formal review of work by the appropriate level of audit management.
8. Five client surveys were issued following completion of the audit assignments referred to in Table 1 below. Five were completed and returned, four with an overall opinion of 'Very Good' and one with an overall opinion of 'Good', thus achieving the current target of 95% Good / Very Good.

SUMMARY OF AUDIT WORK COMPLETED AND RELATED OPINIONS

9. This section of the report provides details of how Internal Audit has assisted management in fulfilling their responsibilities for operating effective systems of internal control through the provision of audit reviews and agreed action plans. The Audit Sub-Committee receives detailed information and provides challenge to management relating to audit reviews resulting in Partially Effective / Ineffective opinions, or where opinions decrease from one audit to another relating to the same system.
10. Table 1 attached provides details of audit work reported relating to the 2017 Internal Audit Plan. 5 reports were issued by Internal Audit. In addition, two reports were issued by Wakefield Council's Corporate Fraud Unit, working in liaison with Internal Audit.
11. In addition to these audit reports, Internal Audit resources were utilised within the following areas of activity:
 - 11.1 Internal Audit used data analytics software to analyse payroll variations as an extension to the work undertaken in the 2016 and 2017 audit reviews. As stated in previous years, the findings may be considered as a basis for monitoring amounts spent on variations / overtime etc. within YPO.
 - 11.2 Various instances of consultancy / advice-type support throughout the year, including (in liaison with Wakefield Council's Corporate Fraud Unit) advice on various fraud-related matters.
 - 11.2 Producing reports for, and attending, YPO Committee meetings. In addition, together with an officer from KPMG, a training session took place for Audit Sub-Committee Members on the External and Internal Audit relationship.
12. Based on audit work undertaken in 2017, the following points are worthy of note:
 - 12.1 All 3 of the main financial systems examined were assessed as 'Mostly Effective' this recognises that, in the main, risks are being managed to an appropriate level, with appropriate controls established and in place. There were some areas for improvement as detailed below:

Payroll

Variations data is manually input into a spreadsheet, submitted to Wakefield Council Payroll then manually input into the iTrent system. Whilst no errors were identified from the sample of transactions examined, the processes are cumbersome and vulnerable to human error.

Consideration should also be given to implementing a check to assess the validity of changes to bank details prior to the change being processed within the Wakefield Council Payroll / HR section

Debtors – Business Income

There is a lack of separation of duties which could result in the abuse of position and / or employee vulnerability to accusations of collusion / favourable treatment / corruption in relation to the issuing of credit notes. Also, whilst data / reporting is available to undertake analysis of the credit notes issued and can be filtered / sorted for analysis, this is not currently interrogated within the Customer Experience Team

Debtors – Non-Business Income

Internal Audit selected a sample of 10 new customers / credit accounts where the company name indicated that the organisation was a limited company / with private sector financing. Testing of the sample noted that Credit checks were not undertaken in respect of 3 limited companies although it was acknowledged that 1 related to new premises of a company that already had an account with YPO; however this was inactive since 2013. Also 2 out of the 3 limited companies had no credit limit assigned.

- 12.2 The review relating to Fleet replacement and 3rd Party Logistics identified that in general sound controls were in place and operating effectively. From testing three key areas for improvement were identified being:

12.2.1 Although a Service Level Agreement (SLA) is currently being produced to formalise arrangements between Wakefield Council and YPO regarding the servicing and maintenance of YPO's fleet, it has not yet been signed off.

12.2.2 Regular checks are not being undertaken to identify when driver mandates need to be reviewed for drivers who are YPO employees and 'Agency Driver Share Your Licence Declaration' forms may not be being completed by all Agency drivers.

12.2.3 The Drivers Handbook has not been updated since February 2015.

- 12.3 The review of Business Performance Management resulted in a Fully Effective opinion on the basis that the controls in place at the time of the audit were generally found to be sound. In arriving at this opinion it was noted that a significant amount of change was taking place within YPO, notably through delivery of a number of individual strategies, which in turn link back to the overall Organisation's Strategy for 2015-2017. In this respect the audit found that, business performance (and linked to that the management of business performance) was being considered as part of implementing change. The review did not highlight any key areas upon which action needed to be taken. However, a number of actions were agreed, these primarily related to

suggestions around performance reporting going forward and are seen as enhancements to existing arrangements.

- 12.4 A follow up review of Electronic Card Payments found that the agreed actions had been 'Mostly Implemented'. This reflects that actions have been fully implemented in relation to many of the issues raised in the original audit. However, there were some actions still requiring attention being:

12.4.1 Portable media encryption should be introduced as soon as possible, and supported within security policies. This is currently proposed but not yet completed.

12.4.2 The PCI DSS self-assessment exercise was considered to be dated. A repeat exercise or similar is to be given consideration within the IT security review.

- 12.5 A follow up review relating to Procedures in place for delivering Business Planning Objectives / Priorities has been undertaken which identified that the agreed actions had been 'Mostly Implemented' This reflects that actions have been fully implemented in relation to many of the issues raised in the original audit. However, the main issue still to be progressed relates to the completion of risk registers. It was confirmed that there is a planning risk register for 2017 and an emerging risk register for 2018. Unfortunately work to update the operational risk registers halted in February 2017 following the absence of the then Risk and Compliance Manager and has not yet been completed. However, it is acknowledged that the Strategic Risk Register, and the Fraud and Bribery risk register, is currently being reviewed, with a view to reporting the updated documents to the Board in January 2018 and Audit & Scrutiny Sub in February 2018. Once the above review has been completed, a full review of the operational risk registers will be undertaken.

13. Actions were agreed with YPO management to address the concerns highlighted in paragraph 12. Progress in implementing these agreed actions is monitored by the Audit Sub-Committee. They receive regular progress reports from Internal Audit. In addition, the Audit Sub-Committee also receives occasional reports from YPO management providing an update on progress made in implementing all audit recommendations.

AUDIT WORK REPORTED RELATING TO THE 2017 INTERNAL AUDIT PLAN

Review Area / Report Date	Audit Opinion
Main Financial Systems 2017 – 26/01/18 <ul style="list-style-type: none"> - Implementation of Previously Agreed Actions - Payroll - Debtors Business Income - Debtors – Non-Business Income 	Fully Implemented Mostly Effective Mostly Effective Mostly Effective
Fleet replacement and 3 rd Party Logistics – 29/03/17	Mostly Effective
Business Performance Management – 21/6/17	Fully Effective
Electronic Card Payments Follow up – 20/09/17	Mostly Implemented
Procedures in place for delivering Business Planning Objectives / Priorities – Follow up review – 10/01/18	Mostly Implemented

In addition, Wakefield Council's Corporate Fraud Unit, working in liaison with Internal Audit, issued a report on 13 January 2017 on external procurement fraud by bogus customers. Actions were agreed to reduce the likelihood of orders from bogus customers being accepted.

A further fraud relating to Banking has also been investigated and an initial report issued to Members in respect of this in September 2017. A further update report was also agreed on 9/01/18 to outline the current position on the circumstances leading to the perpetration of the fraud and the recovery of monies to date. Actions have been accepted and implemented by Senior Management to ensure that the likelihood of this type of fraud being perpetrated on YPO in the future is minimised as far as possible.

INTERNAL AUDIT PROGRESS REPORT – NOVEMBER 2017 TO JANUARY 2018

- Internal Audit reports have been issued since the last Internal Audit Progress Report was discussed at the YPO Audit Sub-Committee on the 3rd November 2017, as shown below:

Report	Audit Opinion In Report / Main Messages In Report	Actions Taken By YPO
<p>Main Financial Systems 2017 – /01/18</p> <ul style="list-style-type: none"> - Implementation of Previously Agreed Actions - Payroll - Debtors – Business Income - Debtors – Non-Business Income 	<p style="text-align: center;">Fully Implemented</p> <p style="text-align: center;">Mostly Effective</p> <p style="text-align: center;">Mostly Effective</p> <p style="text-align: center;">Mostly Effective</p> <p>This year’s audit marked the continuation of a new approach to auditing the main financial systems. Rather than covering all nine systems annually, the intention is for them to be covered over a three-year cycle. The main benefit of this approach is that it has been possible to undertake a slightly more comprehensive review than in past years of the three systems referred to above.</p> <p>The overall assessments of ‘mostly effective’ for ‘Payroll; Debtors Business Income’ and ‘debtors – Non-Business Income’ recognise that, in the main, risks are being managed to an appropriate level, with appropriate controls established and in place.</p>	<p>The action plan is not due to be returned until the 23/03/18</p>
<p>Procedures in place for delivering Business Planning Objectives / Priorities – Follow up review – 10/01/18</p>	<p>It was confirmed that actions have been fully implemented in relation to many of the issues raised in the original audit. However, the main issue still to be progressed relates to the completion of risk registers.</p>	<p>The action plan is not due to be returned until the 09/03/18</p>

2. In addition, Wakefield Council's Corporate Fraud Unit, working in liaison with Internal Audit, issued a report in 2017 on external procurement fraud by bogus customers. Actions were agreed to reduce the likelihood of orders from bogus customers being accepted.
3. Three Internal Audit reports were issued during the period January to October 2017 and discussed at previous Audit Sub-Committee meetings:
 - Fleet replacement and 3rd Party Logistics – 29/03/17
 - Business Performance Management – 21/6/17
 - Electronic Card Payments Follow up – 20/09/17
4. In addition to the reports summarised in paragraph 1 above, the following Internal Audit work is ongoing:
 - IT change control
 - Workforce Skills
 - Limited company
 - Consultation / advice –type support as requested to the Link programme relating to the installation of an ERP (enterprise resource planning) system.

The main emphasis of Internal Audit's work up to the end of March 2018 will be the completion of these audits.

This page is intentionally left blank



YPO
AUDIT & SCRUTINY SUB-COMMITTEE
TO BE HELD ON
16th FEBRUARY 2018

TITLE: DRAFT 2018 - 2020 YPO INTERNAL AUDIT THREE YEAR PLAN
REPORT OF: THE s151 OFFICER

1 PURPOSE OF REPORT

- 1.1 This report is produced by the s151 Officer to provide Members of the Audit & Scrutiny Sub-Committee with details of the draft 2018 - 2020 YPO Internal Audit Plan.

2 BACKGROUND INFORMATION

- 2.1 The Sub-Committee received a report at the meeting held on the 3rd November 2017, outlining the proposed process for formulating the 2018 YPO Internal Audit Plan, including a template of potential areas of audit activity. Members confirmed the proposed process and requested that a detailed draft Audit Plan be presented to a future meeting of the Sub-Committee.

Following the presentation of potential areas for review the detailed draft 2018 YPO Internal Audit Plan was discussed with Simon Hill (Managing Director) and Paul Smith (Executive Director) at which point, the possibility of a three-year plan was discussed and it was agreed that this would be trialled and presented to Members for consideration. The Plan is based on 125 days of Internal Audit work per year, at a cost to YPO of £45,000 (at current rates). However, this may be subject to change dependent on the agreed level of audit coverage required each year.

- 2.2 Following consideration by the Sub-Committee, in line with agreed protocols the Plan will be submitted to the next meeting of the YPO Management Committee on the 23rd March for formal approval.

3 STRATEGIC IMPLICATIONS

- 3.1 Internal Audit's work includes involvement at a strategic level. A number of audits in the draft 2018 Internal Audit Plan are linked to various strategic risks.

4 FINANCIAL IMPLICATIONS

- 4.1 The cost of provision of the Internal Audit function is £45,000 and has been included within the YPO 2018 Budget.

5 LEGAL IMPLICATIONS

- 5.1 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 a robust financial control environment and the proper administration of the Organisation's financial affairs.

6 EQUALITY IMPLICATIONS

- 6.1 There are no direct implications relating to equality.

7 RISK IMPLICATIONS

- 7.1 Reports issued by Internal Audit, following completion of individual assignments as detailed in an Annual Audit Plan, provide assurances to those charged with governance as to the adequacy or otherwise of the Organisation's Risk Management arrangements relevant to the achievement of the Organisation's objectives.

8 RECOMMENDATION

- 8.1 That Audit & Scrutiny Sub-Committee consider and comment on the draft Annual Audit Plan for 2018, attached as Appendix A to this report, prior to it being submitted to the Management Committee for formal approval.

CONTACT OFFICERS:

Neil Warren Chief Finance Officer & S151 Officer (Wakefield Council)
Telephone No: 01924 306433
E-mail address: nwarren@wakefield.gov.uk

Julie Gill, Interim Head of Internal Audit & Risk (Wakefield Council)
Telephone No: 01924 303619
E-mail address: jgill@wakefield.gov.uk

APPENDIX:

Appendix 1 – YPO Draft Internal Audit Annual Plan 2018

YPO

Draft Internal Audit

Annual Plan

2018

INTRODUCTION

1. The definition of Internal Audit included within the Public Sector Internal Audit Standards (PSIAS) is:

“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

2. In view of the PSIAS definition, the key aim of Internal Audit at YPO is to help management fulfil their responsibilities for ensuring that there are proper systems of internal control in place in order to mitigate risks associated with the provision of all YPO services and achievement of YPO’s objectives.
3. Fundamental to achieving the above aim is a structured approach to producing risk based Internal Audit Plans, covering all areas of activity agreed to be appropriate.
4. Key business risks are subject to change annually, and whilst a 3 year Audit Plan is being proposed, this will still be subject to annual review and amended as necessary to reflect any change in business risks.
5. In line with the PSIAS, the Plan is kept under review for emerging risks and is formally reviewed throughout the year, with any proposed / necessary changes discussed with the YPO Board and reported to Audit Sub-Committee. Should any revisions to the Plan be deemed to be significant, they would be reported to Management Committee for formal approval.

AUDIT STRATEGY

6. A team of professionally qualified and appropriately experienced staff from the Lead Authority (Wakefield Council) will provide the YPO Internal Audit service.
7. A formal Protocol exists which sets out the detailed procedures for delivering the Internal Audit service within the above arrangements.
8. Internal Audit’s key objectives within YPO are to:
 - (a) Continue to provide a “value added service”, with an appropriate mix of traditional assurance work, consultancy type work and support on fraud-related issues, utilising risk based audit initiatives and techniques wherever appropriate;
 - (b) Ensure the effective Internal Audit review of YPO activity, as identified in the attached detailed Annual Audit Plan at Attachment 1.
9. Internal Audit achieves its objectives by cyclically undertaking reviews of financial and non-financial risks and reporting to appropriate levels of management on assurances gained and areas for improvement. Additionally, in line with the scope of audit activity supported by PSIAS, Internal Audit resources are allocated to providing consultancy and fraud-related work as part of the planning process.
10. The outcomes of Internal Audit reviews, reported through periodic progress reports, are utilised in informing the annual Internal Audit opinion, forming part of the statutory Annual Governance Statement which supports YPO’s annual accounts.

APPROACH TO SETTING THE 2018 - 2020 PLAN

11. Having taken into account all relevant factors, the areas to be considered for inclusion within the 2018 - 2020 Plan were identified, recorded and discussed with Simon Hill (Managing Director) and Paul Smith (Executive Director). The agreed Plan is included as Attachment 1 to this report.

12. The resource envisaged to complete the 2018 - 2020 Internal Audit Plan is based on 125 days of Internal Audit work per year, at a cost to YPO of £45,000

YPO DRAFT INTERNAL AUDIT PLAN 2018 TO 2020

Plan / Risk Area	Rationale For Review	2018	2019	2020	Comments
Main Financial Systems					
<p>Main Financial Systems – annual review and testing.</p> <p>Linked to various finance-related strategic risks.</p> <p>Also linked to YPO operational risk register for Finance.</p>	<p>High volume and value of transactions.</p> <p>Assurance provided to s151 officer and External Auditor.</p>	✓	✓	✓	<p>The following systems to be covered over a three-year period are:</p> <p>Main Accounting System, Budgetary Control and Stock Control are to be subject to a detailed review in 2018.</p> <p>Debtors (Business Income), Debtors (Non-Business Income) and Payroll were looked at in detail in 2017.</p> <p>Ordering & Creditors (Working Expenses including Hired Carriers), Ordering & Creditors (Business Income) and Asset Management were last looked at in detail in 2016.</p>
Other Risk Based Audit Work					
<p>Anti-Fraud and Bribery Arrangements.</p> <p>Linked to Strategic Risk SR-0006 - Financial Crime, Fraud, Bribery and or Corruption</p>	<p>Robust Anti-Fraud and Bribery Arrangements are essential to protect the organisation from the risk of Fraud.</p>	✓			<p>To review existing arrangements / have input to any new arrangements sufficient to ascertain their soundness / effectiveness.</p> <p>This item was deferred from the 2017 annual plan following agreement with Senior Management</p>
Searching for	To ensure that				

Plan / Risk Area	Rationale For Review	2018	2019	2020	Comments
<p>Fraud</p> <p>Linked to Strategic Risk SR-0006 - Financial Crime, Fraud, Bribery and or Corruption</p>	<p>controls established by the Organisation are operating as intended/risks of error / potential fraud are minimised</p>		✓	✓	<p>Any work required in this area to be agreed with YPO's senior management and / or Lead Authority Statutory Officers.</p>
<p>Adherence to Legislation</p> <p>Linked to strategic risk SR-0013 - Non-compliance with legislation and regulation.</p>	<p>Sound processes need to be in place to ensure compliance with GDPR (General Data Protection Regulations) which come into effect on the 25th May 2018.</p>	✓	✓	✓	<p>Audit work in 2018 will focus on compliance with GDPR.</p> <p>To cover other areas of legislation to ensure compliance in 2019 and 2020 as agreed with management.</p>
<p>Stock Control</p>	<p>Sound stock control arrangements need to be in place to ensure the effective function of the organisation.</p>	✓			<p>To review arrangements in place specifically linked to losses and the returns process as agreed with management.</p>
<p>Transport / Logistics</p> <p>Linked to strategic risk SR-00015 Inability to fulfil customer orders.</p>	<p>Effective arrangements are in place to ensure customer expectations are met and VFM achieved in relation to Transport costs</p>			✓	<p>The specific aspects of the review to be agreed with YPO's Senior Management.</p>
<p>Risk Management Arrangements / Strategic Risks</p>	<p>Sound arrangements are essential to mitigate key risks as far as practicable and thereby to allow achievement of the organisation's objectives.</p>	✓	✓	✓	<p>To have input to the review of strategic risks working alongside the Finance Business Partner – FTC in 2018. To test controls against one strategic risk (as a minimum) in 2019 and 2020. The risks to be tested to be agreed with management.</p>
<p>LINK</p>	<p>Success for this</p>	✓	✓		<p>Internal Audit</p>

Plan / Risk Area	Rationale For Review	2018	2019	2020	Comments
<p>Programme</p> <p>Linked to various strategic risks including:</p> <p>SR-0003 - Programmes and projects are not aligned to YPO's strategic objectives.</p> <p>SR-0009a - Inadequate IT infrastructure including IT capabilities, physical infrastructure, support and development.</p> <p>SR-0010 - Inefficient business processes.</p>	<p>major transformation project is critical to the future of YPO as an organisation.</p>				<p>involvement will be in providing support, and acting as a critical friend in challenging aspects of the project as it progresses in 2018 and 2019.</p>
<p>Warehouse Management System</p>	<p>To be developed to enhance changes being taken forward by the Head of Logistics and to align with the LINK programme.</p>	<p>✓</p>	<p>✓</p>		<p>To initially feed into the scoping of this system. To then subsequently have input to options appraisal, tendering and implementation processes.</p>
<p>Contracting</p> <p>Linked to strategic risk SR-0005 - Under achievement of sales forecast.</p>	<p>Supply contracts entered into for the benefit of YPO customers are critical to the success of the YPO business.</p>		<p>✓</p>		<p>To review arrangements in place linked to the establishment of supply contracts, or some other specific aspect of contractual arrangements as agreed with management.</p>
<p>Rebate Income</p>	<p>Rebate income is a significant</p>		<p>✓</p>		<p>To undertake a periodic review of rebate income</p>

Plan / Risk Area	Rationale For Review	2018	2019	2020	Comments
<p>Linked to strategic risk SR-0005 - Under achievement of sales forecast.</p>	<p>source of revenue to YPO.</p>				<p>to ensure adequacy of controls in place.</p>
<p>Business Planning</p> <p>Linked to various strategic risks including:</p> <p>SR-0001 - Lack of availability (or unacceptable cost) of adequate funds to fulfil the strategic plan.</p> <p>SR-0003 - Programmes and projects are not aligned to YPO's strategic objectives.</p> <p>SR-0008 Inadequate workforce skills to support organisational strategy.</p>	<p>Business planning is key to the achievement of the organisation's objectives.</p>		<p>✓</p>		<p>To review the annual business planning process to ensure that this is sufficiently sound to allow investment decisions to be made, and for the outcomes of the business planning process to clearly align to budget setting and delivery of the Organisation's 3-Year Strategy.</p>
<p>Limited Company</p>	<p>Success of the Limited Company is key to growth and profitability of the Organisation as a whole</p>			<p>✓</p>	<p>To review specific operational aspects of the Limited Company as agreed with YPO's senior management and / or Lead Authority Statutory Officers.</p>
<p>Review of IT arrangements in place within the Organisation</p>	<p>To ensure that the processes and controls in place are effective in ensuring the security; validity and accuracy of IT systems / networks.</p>			<p>✓</p>	<p>To review specific aspects of IT as agreed with YPO's senior management. To cover areas such as:</p> <ul style="list-style-type: none"> - Network controls - Change controls - File controls - Application controls <p>Audits in this area to</p>

Plan / Risk Area	Rationale For Review	2018	2019	2020	Comments
					commence following conclusion of Link programme.
Business Continuity / Emergency Planning SR 0007 Inability to access key IT systems / business premises	To ensure effective arrangements are in place to facilitate the continued operation of the Organisation in the face of a major event.		✓		Detail of the review to be agreed with YPO's senior management
Data Quality	To establish that the current protocols in place ensure the high standard of data quality in relation to management information is maintained			✓	The review would cover the adequacy of the overall Data quality policy / protocols in place and the extent to which it is adhered to.
Data controls	The security of data is essential to ensure adherence to GDPR and all aspects of data protection		✓		The review would cover continued adherence to GDPR / all aspects of data protection and to ensure the continued security of all data held by YPO.
Customer Engagement Links to strategic risk – SR0012 Poor customer service.	The continued high levels of customer satisfaction are essential to the overall success of the organisation.			✓	The review would concentrate on aspects of the following: <ul style="list-style-type: none"> - Overall effectiveness of the customer engagement process. - Analysis of changes to customer satisfaction levels & reasons for this. - Achievement of KPIs
Ongoing audit work at year-end.	Annual allocation for plan achievement. First priority in	✓	✓	✓	To complete all audits either not started or ongoing at the end of December 2017 year-

Plan / Risk Area	Rationale For Review	2018	2019	2020	Comments
Linked to various YPO risks.	new audit year.				end, as detailed within Internal Audit's 2017 Annual Report.
Follow Up Audits					
Follow up on work undertaken and reported previously.	To ensure control issues identified from previous audit reports have been adequately addressed.	✓	✓	✓	Confirming implementation of agreed actions arising from recent IA reports, with emphasis placed on reports issued with high priority actions.
Liaison, Consultancy and Advice					
Input to the YPO Committee function. Linked to various YPO strategic and operational risks depending on full nature of work.	To keep Members of the YPO Committees sufficiently informed of Management and Internal Audit activities at YPO.	✓	✓	✓	Preparation of Internal Audit reports to YPO Committees. Attendance at YPO Committee meetings to present reports. Support as necessary to management attending YPO Committee meetings. Input to Member development / training regarding audit-related issues.
Liaison, consultancy and advice. Linked to various YPO strategic and operational risks depending on full nature of work.	It is important to respond to Management when advice is requested / required and to ensure adequate liaison takes place with a view to maintaining good working relationships.	✓	✓	✓	Audit resources utilised throughout the year as required.
Additional chargeable activities					
Investigate any	Input by Internal				Any work required in

Agenda Page 84

Plan / Risk Area	Rationale For Review	2018	2019	2020	Comments
areas of suspected fraud / irregularity.	Audit is essential to the proper independent investigation of some alleged irregularities. Poor investigations may lead to unacceptable outcomes and a continuance of the irregularity.				this area to be agreed with YPO's senior management and / or Lead Authority Statutory Officers and the Plan adjusted accordingly.

YPO Internal Audit Plan 2018 to 2020.



YPO
AUDIT & SCRUTINY SUB-COMMITTEE
TO BE HELD ON
16TH FEBRUARY 2018

TITLE: ANNUAL GOVERNANCE STATEMENT 2017 & LOCAL CODE OF GOVERNANCE
REPORT OF: EXECUTIVE DIRECTOR

1. BACKGROUND INFORMATION

- 1.1 This report presents the first draft of the Annual Governance Statement (AGS) 2017 for consideration and the revised Local Code of Corporate Governance. YPO Board agreed a report in December 2017 outlining proposed changes to the AGS. The aim was to remove much of the detailed description of the governance framework from the AGS and move it into the Local Code of Governance. In this way we could make the AGS much shorter, a strategic document written in a more readable style that would hopefully make it more accessible and informative.
- 1.2 There are some good examples of organisations presenting their AGS as Annual Governance Reports to compliment the Annual Report. It is proposed that we move towards this style of report, but the first step is to discuss and finalise the content, especially the text directly attributed to individual Members and members of the Board.
- 1.3 At their meeting in January 2018 the Board agreed to ask the Chair of the Audit & Scrutiny Sub-Committee to add some opening comments to the final AGS.

2. STRATEGIC IMPLICATIONS

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

3. FINANCIAL/RESOURCE IMPLICATIONS

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

4. LEGAL IMPLICATIONS

- 4.1 There are no legal implications arising from this report: YPO continues to meet the requirements of the 2016 Governance Framework.

5. RISK IMPLICATIONS

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

6. CONSULTATION

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

7. OPTIONS APPRAISAL

7.1 YPO could continue to publish a Local Code of Corporate Governance and AGS in the existing formats.

8. RECOMMENDATIONS

8.1 The Board receive the first draft of the revised format Annual Governance Statement 2017 and the Local Code of Corporate Governance for discussion and agreement.

9. REASONS FOR RECOMMENDATIONS

9.1 The proposed changes will result in more informative, more readable documents that meet the 2016 Governance Framework's requirements to reflect the ethos of good governance and not just the rules and procedures.

SERVICE DIRECTOR: PAUL SMITH, EXECUTIVE DIRECTOR

YPO
41 Industrial Park
Wakefield
WF2 0XE

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

CONTACT OFFICER: ANDREA HIRST-GEE, INTERIM RISK & COMPLIANCE MANAGER

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 821740
E-mail address: andrea.hirst-gee@ypo.co.uk

APPENDICES

Appendix 1: Annual Governance Statement 2017 First Draft
Appendix 2: Local Code of Corporate Governance 2018

Annual Governance Statement 2017

Scope of Responsibility

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

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

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

The Governance Framework

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

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

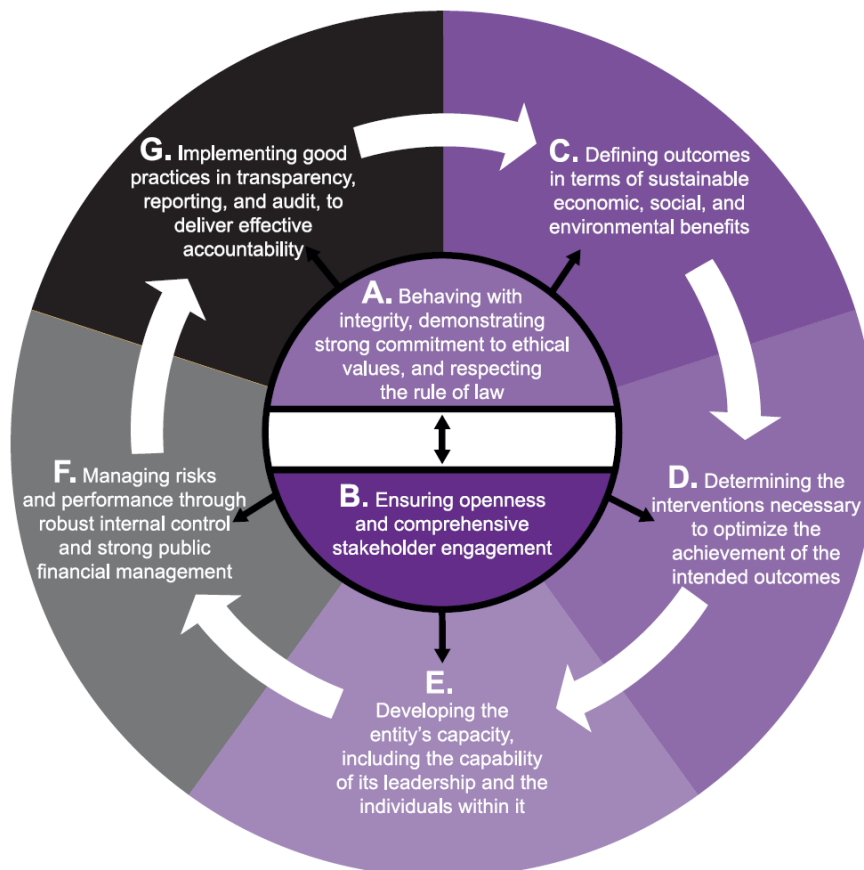
The system of internal control is a significant part of our governance framework and is designed to manage risk to a reasonable level. It helps us to identify and prioritise the risks to the achievement of our policies, aims and objectives, to evaluate the likelihood and potential impact of those risks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

The governance framework is kept under review and has been in place at YPO for the year ended 31st December 2017 and up to the date of approval of the statement of accounts.

Annual Governance Statement 2017

YPO's Local Code of Corporate Governance and Annual Governance Statement – Changes in 2017 – Simon Hill, Managing Director

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



In previous years we have published a longer Annual Governance Statement which contained detailed information on YPO's corporate governance arrangements and how they complied with the CIPFA / SOLACE principles. Publication of the new framework in 2016 gave us the opportunity to review what information we publish and where, and for 2017 we have made some changes.

Much of the detail previously published in our Annual Governance Statement is now published in our revised Local Code of Corporate Governance. This enables us to reduce the amount of detail in our Annual Governance Statement and meet the CIPFA / SOLACE framework recommendation that the statement is high level, strategic and readable, with a focus on the results of the annual review of the effectiveness of our governance arrangements.

Annual Governance Statement 2017

Purpose of the Annual Governance Statement

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

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

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

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

Annual Governance Statement 2017

How does governance work in practice at YPO?

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

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

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

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

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



Annual Governance Statement 2017

How has the Annual Governance Statement been prepared? - Paul Smith, Executive Director

In preparing the Annual Governance Statement, YPO has:

- Reviewed our existing governance arrangements against the CIPFA / SOLACE 2016 framework, as reflected in our Local Code of Corporate Governance, to make sure they remain effective and up to date
- Completed a Board Assurance Statement – a self-assessment questionnaire that sets out how we meet each of the principles and sub-principles set out in our Local Code. Completing the statement gives Members of the Board the opportunity to reflect on governance in the past year. We give a score of 1 to 4 for each aspect of compliance with the governance principles and, where we score ourselves less than the maximum of 4, we consider what action would be necessary to improve our score. We don't wait until the annual review to take any action, but if there is anything still outstanding at the year end, we report it in the Annual Governance Statement, along with a plan for how we are, or are proposing, to address the issue in the following year
- Reviewed other sources of assurance and what this tells us about how governance and controls are working in practice at YPO. Our main sources of assurance are:
 - Wakefield Council – as our Lead Authority, the Council provides us with the services of a Chief Financial Officer (and S151 Officer) and Monitoring Officer, who play key roles in helping to ensure that YPO operates within financial and other regulatory requirements.
 - Wakefield Council also provides our Internal Audit function. The Internal Audit Team is responsible for providing an independent and objective opinion on the control environment within YPO. Their audit plan and subsequent findings are reported to the Directors of YPO, the Management Committee and the Audit Sub-Committee. The Head of Audit has access to the Managing Director and Board Members at any time and submits an annual report each year.
 - External Audit, currently provided by KPMG, who examine our financial statements and highlight any matters for report on the annual governance statement.
 - The Management Committee – YPO is managed by a committee of elected representatives from our 13 public sector founder member authorities.
 - Audit & Scrutiny Sub-Committee – this consists of nine elected representatives from our 13 public sector founder members (no more than one councillor from any member authority and not the Chair or Vice Chair of the Management Committee) – previously separate sub-committees the Audit and Scrutiny Sub-Committees were merged into one sub-committee from April 2017
 - The Senior Leadership Team and other senior managers who contribute to the development and maintenance of YPO's governance arrangements

Annual Governance Statement 2017

Review of Effectiveness

The Management Committee met regularly in 2017 to consider matters such as YPO's Standing Orders for Contracts, Financial Procedure Rules, Internal Audit's Annual Report, the Statement of Accounts, the Governance Review, the Business Update and the new 3 Year Strategy for 2018 - 2020.

In 2017 the Management Committee appointed a new Independent Director for an initial two year term, with the option to extend for a further year.

The Audit & Scrutiny Sub-Committee considered the External Audit Report, Audited Statement of Accounts, Governance Review, Internal Audit Progress Report and a Risk Management Update.

Wakefield Council Internal Audit's overall opinion on the systems of internal control at YPO during 2017 is:

"From the work undertaken by Internal Audit during 2017, key controls were found to be in place to manage associated risks to the required level, with no significant errors, losses or omissions identified in the majority of systems subject to review. However the result of the investigation undertaken during the year relating to the Bank Fraud perpetrated against YPO, revealed that established controls had not been robustly applied by Officers, had they been the fraud would have been unlikely to succeed. This following on from the procurement fraud which occurred in 2016 relating to the misappropriation of goods by diverting the delivery of laptops to a bogus address, raises concerns as to the extent that Officers are aware of the risk of fraud against the organisation and are adhering to established control processes.

It is acknowledged that Senior Management continues to strengthen overall governance arrangements, including implementing audit recommendations to improve areas of control weakness identified from individual Internal Audit reviews. Consequently there are no new key control improvements arising from Internal Audit work that require inclusion in Section 5 of the 2017 AGS."

We anticipate (at this stage) that KPMG will issue an unqualified opinion on YPO's 2017 Financial Statements and to confirm that there are no matters to report in respect of their review of the Annual Governance Statement for compliance with the 'Delivering Good Governance in Local Government: a Framework' 2016.

As part of the review of overall effectiveness, in December 2017 YPO Board Members completed the Board Assurance Statement. No new governance issues were identified by the review, but outstanding issues from the 2016 review (as reported in the Annual Governance Statement 2016) were followed up and the results are reported below under Significant Governance Issues.

Annual Governance Statement 2017

Significant Governance Issues

In the Annual Governance Statement 2016 the following were identified as areas for improvement, and have now been followed up.

- More work is required to improve medium term financial planning and make informative key performance indicators available across the business. A Medium Term Financial Plan was developed and approved in 2017 and sits alongside the new 3 Year Strategy 2018 – 2020. The Senior Leadership Team agreed a suite of Key Performance Indicators in November and the first performance monitoring report is due in February 2018.
- YPO will review its partnership protocols. This work is going within Procurement Services.
- Further consideration will be given to defining YPO's ethical values and an assessment of performance will be included in the appraisal process.

Ethical Values – Julie Wray, Executive Director

In 2017 we have considered ethical values and how we can demonstrate them.

- We demonstrate our ethical values at the organisational level through our commitment to [Corporate Social Responsibility](#) and our [Modern Slavery Statement](#) which we published for the first time in 2016
- Many of our staff are members of professional organisations that set out their own code of ethics and rules of conduct (eg CIPS, CIPD) which we encourage them to follow

Annual Governance Statement 2017

The Role of the Audit & Scrutiny Sub-Committee – Chair Cllr David Warburton, Bradford MDC

The role of the Audit & Scrutiny Sub-Committee is to ensure that the highest standards of probity and public accountability are demonstrated and, in doing so, ensure effective governance of YPO. The Sub-Committee provides the Management Committee with a reasonable assurance of the efficient and effective operation of the overall internal control environment within YPO, through a systematic appraisal of its framework of internal controls, processes and data quality. In particular we consider the Internal Audit plan and performance and oversee the completion of actions to improve internal control; the External Audit work programme and opinion; and the effectiveness of YPO's arrangements for risk management and decision making.

On behalf of the Audit & Scrutiny Sub-Committee I am delighted to approve the Annual Governance Statement 2017 and recommend it to the Management Committee for inclusion with the Statement of Accounts.

Declaration

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

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

Signed:

Chair of the Audit Sub-Committee

Managing Director

Date

YPO Local Code of Corporate Governance

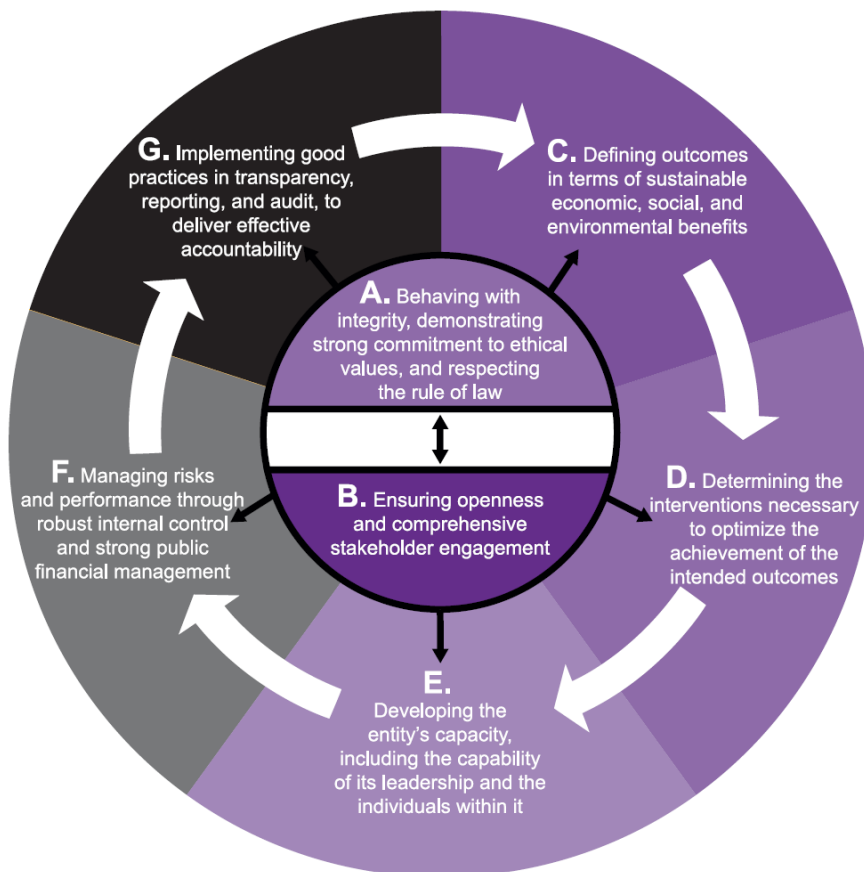
International Framework: Good Governance in the Public Sector (CIPFA/IFAC 2014)

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

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

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

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



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

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

YPO Local Code of Corporate Governance

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

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

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

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

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

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

YPO's Commitment to Good Governance

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

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

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

YPO Local Code of Corporate Governance

Purpose of YPO's Governance Framework

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

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

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

YPO Local Code of Corporate Governance

How does governance work in practice at YPO?

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

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

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

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

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



YPO Local Code of Corporate Governance

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

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

Supporting Principle	Behaviours and Actions	YPO's Corporate Governance Framework
Behaving with integrity	<ul style="list-style-type: none"> • Ensure that Members and Officers behave with integrity and lead a culture where acting in the public interest is visible and consistently demonstrated thereby protecting the organisation's reputation • Ensure that Members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These will build on the Seven Principles of Public Life (the Nolan Principles) • Lead by example and use the standard operating principles or values as a framework for decision making and other actions • Demonstrate, communicate and embed the standard operating principles or values through appropriate policies and processes which will be reviewed on a regular basis to ensure they are operating effectively 	<p>YPO has clearly defined values which are communicated well.</p> <p>YPO makes regular reports to its Management and sub-committees on issues of governance and conduct. Overall responsibility for governance lies with the Management Committee. However, powers are delegated to the Audit Sub-Committee to consider governance issues and provide assurances to support this statement, as well as to the Scrutiny Sub-Committee to review policy formulation and have call in powers to consider the appropriateness of executive decisions.</p> <p>The Statutory Monitoring Officer of the Lead Authority is responsible to the Management Committee for ensuring that agreed procedures are followed and that all applicable Statutes and Regulations are complied with. Board and Committee reports contain a legal implications section completed by qualified officers</p>
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> • Seek to establish, monitor and maintain the organisation's ethical standards and performance • Underpin personal behaviour with ethical values and ensure they permeate all aspects of the organisation's culture and operation • Develop and maintain robust policies and procedures which place emphasis on agreed ethical values • Ensure that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation 	<p>YPO is committed to the highest possible standards of openness, probity and accountability. In line with this commitment YPO has in place a suite of policies that are based on the principles of good governance, shared values, expected standards of conduct and ethical principles. These policies include an Employee Code of Conduct, Complaints Procedure and a Whistleblowing Code of Practice which enables anyone with concerns about any aspects of YPO's business to come forward and voice those concerns. Elected Members are required to comply with the policies of their own authority.</p>
Respecting the rule of law	<ul style="list-style-type: none"> • Ensure Members and Officers demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations 	

YPO Local Code of Corporate Governance

Supporting Principle	Behaviours and Actions	YPO's Corporate Governance Framework
	<ul style="list-style-type: none"> • Create the conditions to ensure that the statutory officers, other key post holders, and Members are able to fulfil their responsibilities in accordance with legislative and regulatory provisions • Strive to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders • Deal with breaches of legal and regulatory provisions effectively • Ensure corruption and misuse of power are dealt with effectively 	<p>YPO has in place an Employee Declaration of Interest Policy and Gifts and Hospitality Policy. Members are expected to declare any interests as a standard item on the committee meetings agenda.</p> <p>Office based employees have documented job descriptions and receive an induction, regular training, one to ones and annual appraisals.</p> <p>YPO's Anti-Fraud and Bribery Policy and Response Plan set out for members, employees and associated persons of YPO the key principles and approach to countering fraud and bribery from both internal and external sources. In conjunction with the Lead Authority YPO operates a confidential hotline where suspected fraud or bribery can be reported. All reported cases are independently investigated by the Lead Authority with support from YPO.</p> <p>YPO recently introduced an Ethical Trading Policy which commits YPO to continually improve its performance in understanding and developing ethical and sustainable practices in its supply chain.</p> <p>As required by the Modern Slavery Act 2015 YPO published its first Slavery and Human Trafficking Statement in 2017 detailing the steps the organisation has taken during the financial year to ensure that slavery and human trafficking is not taking place in any of its supply chains or in any part of its business.</p> <p>Committee Meeting Minutes and Agendas</p> <p>Policies and Procedures</p> <p>YPO Modern Slavery Statement</p> <p>Fighting Fraud and Bribery</p>

YPO Local Code of Corporate Governance

Principle B: Ensuring openness and comprehensive stakeholder engagement

Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all stakeholders including customers, commercial partners and suppliers

Supporting Principle	Behaviours and Actions	YPO's Corporate Governance Framework
Openness	<ul style="list-style-type: none"> • Ensure an open culture through demonstrating, documenting and communicating the organisation's commitment to openness • Make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption will be for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided • Provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and be explicit about the criteria, rationale and considerations used. In due course, the organisation will ensure that the impact and consequences of those decisions are clear • Use formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action 	<p>YPO effectively engages with customers, suppliers and stakeholders through two-way communication and feedback channels, including key customer and supplier forums, customer satisfaction surveys, category events and procurement group meetings with owning authorities and other stakeholders.</p> <p>YPO takes an active and planned approach to meet its responsibility to employees by developing clear and effective channels of communication including regular organisation-wide updates, team and group briefings and regular discussions with Trade Unions.</p> <p>YPO makes information routinely available on its website and publishes a Guide to Information and Access to Information Policy detailing the information it makes available and its approach to Transparency and Freedom of Information.</p>
Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> • Effectively engage with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably • Develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively; • Ensure that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit 	<p>YPO's Committee Meetings are held in public with report items considered in private only where appropriate to do so in line with relevant legislation. Committee reports and meeting timetables and agendas are published to YPO's website.</p> <p>YPO publishes an Annual Report and Statement of Accounts and the Independent Director's Report which provide information on the Organisation's vision, strategy, plans, financial position, achievements and performance.</p>
Engaging with individual citizens and service users effectively	<ul style="list-style-type: none"> • Ensure that communication methods are effective and that Members and Officers are clear about their roles with regard to community engagement • Encourage, collect and evaluate the views and experiences of communities, citizens, service users and organisations of 	<p>Suppliers to YPO Frequently Asked Questions Access to Information and Transparency Committee Meeting Minutes and Agendas Financial Statements and Audit Reports</p>

YPO Local Code of Corporate Governance

Supporting Principle	Behaviours and Actions	YPO's Corporate Governance Framework
	<p>different backgrounds including reference to future needs</p> <ul style="list-style-type: none"> • Implement effective feedback mechanisms in order to demonstrate how their views have been taken into account • Balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity • Take account of the interests of future generations of tax payers and service users 	

YPO Local Code of Corporate Governance

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

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

Supporting Principle	Behaviours and Actions	YPO’s Corporate Governance Framework
Defining outcomes	<ul style="list-style-type: none"> • Have a clear vision, which is in an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation’s overall strategy, planning and other decisions • Specify the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer • Deliver defined outcomes on a sustainable basis within the resources that will be available • Identify and manage risks to the achievement of outcomes • Manage service users’ expectations effectively with regard to determining priorities and making the best use of the resources available 	<p>The purpose and vision for YPO is set out in our three year strategy 2018 - 2020 ‘Relevance which aims to deliver effective efficient and economical arrangements for the supply of goods, materials and services by: securing the best terms for purchasing, storing and distributing items in common use; providing advice on standards and specifications and providing professional technical expertise. This is stated as: “That every single public organisation achieves the best possible value for money when procuring its goods and services”.</p> <p>The vision is integral to delivery of the Organisation’s development and the continued transformation to meet current and future needs and expectations.</p>
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • Consider and balance the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision • Take a longer term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraints • Determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs • Ensure fair access to services 	<p>YPO’s strategic objectives are reviewed annually and are supported by the production of an annual business plan and budget linked to the vision and core values which detail the aims, objectives and priorities of the Organisation and communicates the planned activities.</p> <p>YPO communicates its financial position, performance and achievements through the publication of an Annual Report and Statement of Accounts.</p> <p>Risk management arrangements centre on YPO’s Risk Management Policy and Strategic Framework. Senior Management is charged with responsibility for implementing the appropriate actions, maintenance of the Organisation’s risk registers and regular review of risks.</p>

YPO Local Code of Corporate Governance

Supporting Principle	Behaviours and Actions	YPO's Corporate Governance Framework
		<p>YPO ensures that customers receive a high quality of service through the establishment and continuous monitoring of quality key performance indicators and by conducting an annual customer satisfaction survey.</p> <p>YPO makes best use of resources to ensure customers receive excellent value for money, by establishing price benchmarking for key product categories at 'buying' price level and by establishing effective Contract Standing Orders and Financial Procedure Rules.</p> <p>YPO works in partnership with other public bodies to deliver collaborative frameworks. These are underpinned by commercial agreements for each framework which formalises our working relationships.</p> <p>Through its work on Social Value YPO is working more effectively with local, smaller and more diverse suppliers to ensure that such businesses are not excluded from bidding for YPO business.</p> <p>YPO has made a commitment to Corporate Social Responsibility and publishes a Modern Slavery Statement on its website.</p> <p>Financial Statements and Audit Reports Policies and Procedures Partnerships</p>

YPO Local Code of Corporate Governance

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

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

Supporting Principle	Behaviours and Actions	YPO's Corporate Governance Framework
Determining interventions	<ul style="list-style-type: none"> • Ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore, ensuring best value is achieved however services are provided • Consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts 	<p>The YPO Board have regular meetings with the Strategic Officers Group (which is comprised of senior officers from member authorities), the Section 151 Officer and Monitoring Officer of the Lead Authority these meeting assist the information needs of members to support effective decision making.</p> <p>Specific procedural rules, protocols and policies are in place to govern committee functions and delegated authority. The Management Committee and all Sub-Committees have clear terms of reference that are reviewed on a regular basis.</p>
Planning interventions	<ul style="list-style-type: none"> • Establish and implement robust planning and control cycles that cover strategic and operational plans, priorities and targets • Engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered • Consider and monitor risks facing each partner when working collaboratively including shared risks • Ensure arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances • Establish appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured • Ensure capacity exists to generate the information required to review service quality regularly • Prepare budgets in accordance with organisational objectives, strategies and the medium term financial plan • Inform medium and long term resource planning by drawing 	<p>Committee meeting dates and agendas are agreed in advance and communicated to key stakeholders.</p> <p>A monthly performance report is published and regular meetings held with all budget holders.</p> <p>Risk management and progress on implementation of internal audit recommendations are standard items on the committee agenda.</p> <p>A medium term financial plan was introduced for the first time in late 2017. The plan sits alongside and supports YPO's 3 year strategy 2018 – 2020</p> <p>Governance Structure Committee Meeting Minutes and Agendas</p>

YPO Local Code of Corporate Governance

Supporting Principle	Behaviours and Actions	YPO's Corporate Governance Framework
<p>Optimising achievement of intended outcomes</p>	<p>up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy</p> <ul style="list-style-type: none"> • Ensure the medium term financial strategy integrates and balances service priorities, affordability and other resources constraints • Ensure the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term • Ensure the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage • Ensure the achievement of 'social value' through service planning and commissioning 	

YPO Local Code of Corporate Governance

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

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

Supporting Principle	Behaviours and Actions	YPO’s Corporate Governance Framework
Developing the organisation’s capacity	<ul style="list-style-type: none"> • Review operations, performance and use of assets on a regular basis to ensure their continuing effectiveness • Improve resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the organisation’s resources are allocated so that outcomes are achieved effectively and efficiently • Recognise the benefits of partnerships and collaborative working where added value can be achieved • Develop and maintain an effective workforce plan to enhance the strategic allocation of resources 	<p>Officers and Members charged with decision-making are provided with relevant data and training in relation to technical issues, legal and financial issues and risk. YPO considers Member and Officer training to be critical to further their future development. YPO has in place a development programme that covers relevant topics and elements of the Member programme are aligned to the Organisation’s learning and development plan.</p> <p>Decision-making processes are transparent and result in relevant and recorded actions; timely decisions are made to ensure priorities are met. Forthcoming significant decisions are included in the Business Plan and the Scheme of Delegation to ensure that routine decisions are made at the right level, with Committee focusing on policy development and strategic issues. Scrutiny processes are robust and effective and include independent challenge through Elected Members. YPO has established effective Contract Standing Orders and Financial Procedure Rules.</p> <p>All Members and Officers are subject to an induction programme and are required to continuously identify training needs relevant to their role.</p> <p>Officers have an annual appraisal that includes performance against objectives and competencies and reviewing and updating personal development plans.</p>
Developing the capability of the organisation’s leadership and other individuals	<ul style="list-style-type: none"> • Develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the leadership and that a shared understanding of roles and objectives is maintained • Publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body • Ensure the Chair of the Management Committee and the Managing Director have clearly defined and distinctive leadership roles within a structure whereby the Board leads the organisation in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other’s authority • Develop the capabilities of Members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing 	<p>Decision-making processes are transparent and result in relevant and recorded actions; timely decisions are made to ensure priorities are met. Forthcoming significant decisions are included in the Business Plan and the Scheme of Delegation to ensure that routine decisions are made at the right level, with Committee focusing on policy development and strategic issues. Scrutiny processes are robust and effective and include independent challenge through Elected Members. YPO has established effective Contract Standing Orders and Financial Procedure Rules.</p> <p>All Members and Officers are subject to an induction programme and are required to continuously identify training needs relevant to their role.</p> <p>Officers have an annual appraisal that includes performance against objectives and competencies and reviewing and updating personal development plans.</p>

YPO Local Code of Corporate Governance

Supporting Principle	Behaviours and Actions	YPO's Corporate Governance Framework
	<p>legal and policy demands as well as economic, political and environmental changes and risks by:</p> <ul style="list-style-type: none"> ○ Ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged; ○ Ensuring Members and Officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis ○ Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external. <ul style="list-style-type: none"> ● Ensure that there are structures in place to encourage public participation ● Take steps to consider the leadership's own effectiveness and ensure leaders are open to constructive feedback from peer review and inspections ● Hold staff to account through regular performance reviews which take account of training or development needs ● Ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing. 	<p>YPO has in place an apprenticeship scheme which encourages new talent at YPO. Job vacancies are advertised on the YPO website.</p> <p>Policies and Procedures Careers at YPO</p>

YPO Local Code of Corporate Governance

Principle F: Managing risks and performance through robust internal control and strong public financial management

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

Supporting Principle	Behaviours and Actions	YPO's Corporate Governance Framework
Managing risk	<ul style="list-style-type: none"> • Recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making • Implement robust and integrated risk management arrangements and ensure that they are working effectively • Ensure that responsibilities for managing individual risks are clearly allocated. 	<p>Officers and Members charged with decision-making are provided with relevant data and training in relation to technical issues, legal and financial issues and risk.</p> <p>Decision-making processes are transparent and result in relevant and recorded actions; timely decisions are made to ensure priorities are met. Forthcoming significant decisions are included in the Business Plan and the Scheme of Delegation to ensure that routine decisions are made at the right level, with Committee focusing on policy development and strategic issues. Scrutiny processes are robust and effective and include independent challenge through Elected Members.</p>
Managing performance	<ul style="list-style-type: none"> • Monitor service delivery effectively including planning, specification, execution and independent post-implementation review • Make decisions based on relevant, clear, objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook • Ensure an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible • Provide Members and senior management with regular reports on service delivery plans and on progress towards outcome achievement; • Ensure there is consistency between specification stages (such as budgets) and post-implementation reporting (e.g. financial statements) 	<p>YPO's approach to strategic and operational risk management is robust, with Elected Members playing a key role and receiving training from senior officers. Audit Sub-Committee Members receive bespoke training on finance, audit and governance. Risk is reviewed regularly as part of the Audit Sub-Committee agenda and Management Committee review the Organisation's strategic risks as part of the business planning process.</p> <p>Risk management arrangements centre on YPO's Risk Management Policy and Strategic Framework. Senior Management is charged with responsibility for implementing the appropriate actions, maintenance of the Organisation's</p>

YPO Local Code of Corporate Governance

Supporting Principle	Behaviours and Actions	YPO's Corporate Governance Framework
Robust internal control	<ul style="list-style-type: none"> • Align the risk management strategy and policies on internal control with achieving objectives • Evaluate and monitor the organisation's risk management and internal control arrangements on a regular basis • Ensure effective counter fraud and anti-corruption arrangements are in place • Ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor • Ensure an Audit and Governance Committee which is independent of the Executive and accountable to the organisation: <ul style="list-style-type: none"> ○ Provides a further source of effective assurance regarding arrangement for managing risk and maintaining an effective control environment ○ That its recommendations are listened to and acted upon 	<p>risk registers and regular review of risks. The approach is responsive to new and emerging areas of risk.</p> <p>To ensure probity of YPO the organisation is subject to an on-going internal audit of all relevant business risks as part of an agreed Annual Audit Plan by Wakefield Council's Internal Audit department. In doing this they review controls in place to manage risks in the systems and processes used by YPO, giving positive assurance where risks are being adequately managed and identifying areas for improvement where necessary. Following the Audit an appropriate action plan is agreed between Internal Audit and YPO.</p> <p>Updates on progress made towards implementing the actions are reported to the YPO Board of Directors and the Audit Sub-Committee.</p>
Managing data	<ul style="list-style-type: none"> • Ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data • Ensure effective arrangements are in place and operating effectively when sharing data with other bodies • Review and audit regularly the quality and accuracy of data used in decision making and performance monitoring. 	<p>YPO has in place a Data Protection Policy and provides regular training to employees. YPO has appointed a Senior Information Risk Owner who sits on the Board of Directors.</p> <p>The Statutory Finance (S151) Officer of the Lead Authority is responsible to the Management Committee for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control. The Managing Director has a clear role, responsibility and duty as specified in the Scheme of Delegation and the Financial Procedure Rules for day to day financial management and adherence.</p>
Strong public financial management	<ul style="list-style-type: none"> • Ensure financial management supports both long term achievement of outcomes and short-term financial and operational performance • Ensure well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls 	<p>YPO produces an annual business plan, monthly performance report and budget holder meetings.</p> <p>New KPIs were agreed in November 2017 and will be reported quarterly from February 2018</p> <p>Committee Meeting Minutes and Agendas</p>

YPO Local Code of Corporate Governance

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

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

Supporting Principle	Behaviours and Actions	YPO's Corporate Governance Framework
Implementing good practice in transparency	<ul style="list-style-type: none"> • Write and communicate reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience ensuring that they are easy to access and interrogate • Strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand 	<p>YPO publishes an Annual Report and Statement of Accounts and the Independent Director's Report which provide information on the Organisation's vision, strategy, plans, financial position, achievements and performance.</p> <p>YPO makes information routinely available on its website and publishes a Guide to Information and Access to Information Policy detailing the information it makes available and its approach to Transparency and Freedom of Information.</p>
Implementing good practices in reporting	<ul style="list-style-type: none"> • Report at least annually on performance, value for money and the stewardship of its resources to stakeholders in a timely and understandable way • Ensure Members and senior management own the results • Ensure robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publish the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (Annual Governance Statement) • Ensure that the Framework is applied to jointly managed or shared service organisations as appropriate • Ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations 	<p>To ensure probity of YPO the organisation is subject to an on-going internal audit of all relevant business risks as part of an agreed Annual Audit Plan by Wakefield Council's Internal Audit department. In doing this they review controls in place to manage risks in the systems and processes used by YPO, giving positive assurance where risks are being adequately managed and identifying areas for improvement where necessary. Following the Audit an appropriate action plan is agreed between Internal Audit and YPO.</p> <p>Financial Statements and Audit Reports Committee Meeting Minutes and Agendas Access to Information and Transparency</p>
Assurance and effective accountability	<ul style="list-style-type: none"> • Ensure that recommendations for corrective action made by external audit are acted on • Ensure an effective internal audit service with direct access to Members is in place which provides assurance with regard to governance arrangements and that 	

YPO Local Code of Corporate Governance

Supporting Principle	Behaviours and Actions	YPO's Corporate Governance Framework
	<p>recommendations are acted upon</p> <ul style="list-style-type: none"> • Welcome peer challenge, reviews and inspections from regulatory bodies and implement recommendations • Gain assurance on risks associated with delivering services through third parties and evidence this in the Annual Governance Statement • Ensure that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met 	



YPO
AUDIT & SCRUTINY SUB-COMMITTEE
TO BE HELD ON
16TH FEBRUARY 2018

TITLE: STRATEGIC RISK REGISTER - UPDATE

REPORT OF: EXECUTIVE DIRECTOR

1. BACKGROUND INFORMATION

- 1.1 A risk register is a documented record of the risks faced by an organisation including an assessment of the level of risk, details of the controls in place and of any additional controls required, and the owner of the risk. YPO risk registers are reviewed regularly and reported to the Board and Audit & Scrutiny Sub-Committee.
- 1.2 The Strategic Risk Register attached at Appendix 1 details risks to the achievement of YPO's strategic objectives and has been reviewed by the Board to ensure it remains relevant to YPO's three year strategy and the longer term risks faced by the organisation.
- 1.3 There are 18 risks on the current Strategic Risk Register including a new risk relating to cyber security (Ref SRR-0007a). None of them are rated High (red), nine of them are rated Medium (amber) and the remaining nine are rated Low (green). The review has not identified any risks that have escalated from a rating of low or medium to high.

2. STRATEGIC IMPLICATIONS

- 2.1 The Strategic Risk Register reflects risks to the delivery of YPO's three year strategy and its medium to long term business planning.

3. FINANCIAL/RESOURCE IMPLICATIONS

- 3.1 There are no financial or other resource implications arising directly from the revised Strategic Risk Register.

4. LEGAL IMPLICATIONS

- 4.1 There are no legal implications arising from the revised Strategic Risk Register.

5. RISK IMPLICATIONS

- 5.1 The Strategic Risk Register is a key element of YPO's governance arrangements and should be reviewed regularly.

6. CONSULTATION

6.1 Board Members have been consulted on the review and update of the Strategic Risk Register. The document also reflects Internal Audit's recent findings and actions.

7. OPTIONS APPRAISAL

7.1 None: we must maintain a Strategic Risk Register and review it regularly.

8. RECOMMENDATIONS

8.1 Audit & Scrutiny Sub-Committee are asked to note the Strategic Risk Register attached at Appendix 1.

9. REASONS FOR RECOMMENDATIONS

9.1 The Strategic Risk Register is a key element of YPO's governance arrangements.

SERVICE DIRECTOR: PAUL SMITH, EXECUTIVE DIRECTOR

YPO
41 Industrial Park
Wakefield
WF2 0XE

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

CONTACT OFFICER: ANDREA HIRST-GEE, INTERIM RISK & COMPLIANCE MANAGER

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 821740
E-mail address: andrea.hirst-gee@ypo.co.uk

APPENDIX

Appendix 1: Strategic Risk Register 2018 Q1 Update

SUMMARY RISK PROFILE – YPO STRATEGIC RISK REGISTER – Q1 2018 – RISK OWNERS: BOARD OF DIRECTORS

RISK SCORE: LOW  MEDIUM  HIGH 

	HIGH		
LIKELIHOOD	MEDIUM	SR-0005 SR-0007a SR-0008 SR-0009A SR-0011 SR-0013	
	LOW	SR-0002 SR-0003 SR-0006 SR-0010 SR-0012 SR-0014 SR-0015 SR-0022 SR-0023	SR-0001 SR-0007 SR-0021
		LOW	MEDIUM
		IMPACT	

RED RISKS:
NONE

YPO STRATEGIC RISK REGISTER Q1 2016 – RISK OWNERS: BOARD OF DIRECTORS

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE AS AT JAN 2018
Risk Number: SR-0001	<ul style="list-style-type: none"> • Business Plan supported by Management Committee. • Financial Planning. • Budgetary Control Meetings. • Forecasts. • Budget Monitoring. • Section 151 Officer Oversight. • Performance Report <p>RISK CONTROL ASSESSMENT: Good</p>	Low	High	Medium	YPO's new 3 year strategy 2018 – 2020 was agreed late 2017 and will be published in early 2018. It is accompanied by a Medium Term Financial Plan that identifies the funding required to deliver the strategy.
Risk Type: Strategic					
Risk Category: Financial					
Strategic Objective: Growth.					
Risk Owner: Managing Director					
RISK: Lack of availability (or unacceptable cost) of adequate funds to fulfil the strategic plan.					
CAUSES: Inadequate setting and monitoring of business plans or objectives and failure to meet existing targets.					
CONSEQUENCES: Damage to reputation and loss of opportunity.					

YPO STRATEGIC RISK REGISTER Q1 2016 – RISK OWNERS: BOARD OF DIRECTORS

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE AS AT JAN 2018
Risk Number: SR-0002	<ul style="list-style-type: none"> • Financial Procedure Rules. • Contract Standing Orders • Budget holder training. <p>RISK CONTROL ASSESSMENT: Fair</p>	Low	Medium	Low	<p>The project planning and early implementation for LINK has given a better understanding of the current systems and need for changes.</p> <p>Internal Audit review and test aspects of the main financial system every year and all recommendations have been actioned to date, with the 2017 report currently being finalised.</p> <p>In 2017 the Head of Finance also introduced the Budget Holder Responsibility Policy.</p>
Risk Type: Strategic					
Risk Category: Financial					
Strategic Objective: Growth.					
Risk Owner: Executive Director (Procurement, IT & Finance)					
RISK: Inaccurate accounting records.					
CAUSES: Poor financial procedures, multiple sources of information, systems which require manual manipulation, lack of skills.					
CONSEQUENCES: Inappropriate business decisions may be made causing damage to reputation. May lead to overspending or unnecessary restrictions on spending leading to loss of opportunity.					

YPO STRATEGIC RISK REGISTER Q1 2016 – RISK OWNERS: BOARD OF DIRECTORS

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE AS AT JAN 2018
Risk Number: SR-0003	<ul style="list-style-type: none"> • Business planning process. • Project management process and documentation. • Programme Office. • Programme Board. <p>RISK CONTROL ASSESSMENT: Good</p>	Low	Medium	Low	All major programmes and projects are managed by the Programme Board who meet monthly and feed into Board meetings. The Programme Board were also involved in putting together YPO's new 3 year strategy 2018 – 2020.
Risk Type: Strategic					
Risk Category: Financial					
Strategic Objective: Growth.					
Risk Owner: Executive Director (Procurement, IT & Finance)					
RISK: Programmes and projects are not aligned to YPO's strategic objectives.					
CAUSES: Poor programme or project management or lack of clearly defined strategic objectives.					
CONSEQUENCES: Time and financial resource is invested in projects which fail to deliver on YPO strategic objectives.					

YPO STRATEGIC RISK REGISTER Q1 2016 – RISK OWNERS: BOARD OF DIRECTORS

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE AS AT JAN 2018
Risk Number: SR-0005 Risk Type: Strategic Risk Category: Marketplace Strategic Objective: Growth. Risk Owner: Executive Director (Commercial)	<ul style="list-style-type: none"> • Trading Report. • Performance Report. • Additional income streams. • Price comparison. • Price benchmarking. • MI pricing decisions. • ICS Programme 	Medium	Medium	Medium	<p>YPO continues to maintain strategic partnerships with and source market intelligence from eg BESA, Institute of Customer Service (ICS) and ISBL (formerly NASBM).</p> <p>There is a new Commercial Activity Plan and Board receive a monthly update.</p> <p>YPO's Own Brand launch will take place in Jan 2018</p> <p>Internal Audit completed an audit on this area in Dec 2017 and the risk will be reviewed further once the draft report has been considered in Jan 2018.</p>
RISK: Under achievement of sales forecast.	RISK CONTROL ASSESSMENT: Good				
CAUSES: Political and economic changes leading to restriction on customers spend, poor customer service or pricing policy becomes uncompetitive.					
CONSEQUENCES: Damage to reputation, financial loss.					

YPO STRATEGIC RISK REGISTER Q1 2016 – RISK OWNERS: BOARD OF DIRECTORS

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE AS AT JAN 2018
Risk Number: SR-0006	<ul style="list-style-type: none"> • Anti-Fraud & Bribery Policy. • Register of Employee Interests Policy. • Gifts & Hospitality Policy. • Financial Procedure Rules. • Contract Standing Orders. • Code of Corporate Governance. • Employee Code of Conduct. • Fraud Response Plan. • Whistleblowing Code of Practice. 	Low	Medium	Low	<p>There has been an increased focus on fighting external fraud in 2017, in particular cyber fraud and financial fraud. Additional awareness raising and training has been put in place across YPO.</p> <p>A number of the policies that contribute to the Anti-Fraud & Bribery Framework have been reviewed and updated in 2017 and the remainder are schedule for update in early 2018 along with the Fraud & Bribery Risk Assessments.</p>
Risk Type: Strategic					
Risk Category: Financial & Reputational					
Strategic Objective: Growth.					
Risk Owner: Managing Director					
RISK: Financial Crime, Fraud, Bribery and or Corruption					
CAUSES: Inadequate policies or procedures, failure to follow policies and procedures or deliberate act.					
CONSEQUENCES: Financial loss, damage to reputation, legal action and or financial penalties.	RISK CONTROL ASSESSMENT: Good				

YPO STRATEGIC RISK REGISTER Q1 2016 – RISK OWNERS: BOARD OF DIRECTORS

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE AS AT JAN 2018
Risk Number: SR-0007	<ul style="list-style-type: none"> • Incident Management Plan • Business Continuity Policy • Business Continuity Plans <p>RISK CONTROL ASSESSMENT: Good</p>	Low	High	Medium	YPO has robust IT related business continuity plans in place but they were not tested in 2017 and this is therefore a priority for 2018. For the first time in 2018 YPO has taken out cyber security insurance. This will help us to assess our cyber risk and protect us from potential threats, incidents and loss (see new risk reference SR-0007a below)
Risk Type: Strategic					
Risk Category: Infrastructure					
Strategic Objective: Growth & Customer Service.					
Risk Owner: Managing Director					
RISK: Inability to access key IT systems or business premises.					
CAUSES: Major building and / or system hardware damage					
CONSEQUENCES: Inability to service customer base resulting in damage to reputation and financial loss.					

YPO STRATEGIC RISK REGISTER Q1 2016 – RISK OWNERS: BOARD OF DIRECTORS

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE AS AT JAN 2018
Risk Number: SR-0007a	<ul style="list-style-type: none"> • Physical and electronic system access controls • Regular analysis and reporting of activity • Awareness raising and training • Business Continuity Plans <p>PROVISIONAL RISK CONTROL ASSESSMENT: Fair: this assessment will be further informed by work currently ongoing to assess the risk for cyber insurance purposes</p>	Medium	Medium	Medium	For the first time in 2018 YPO has taken out cyber security insurance. This will help us to assess our cyber risk and protect us from potential threats, incidents and loss. As of January 2018 we are completing the risk assessment required for our cyber insurance cover. This will help to inform this risk profile and to identify further controls that need to be put in place. Key areas for consideration include: Data security / exposure Network security / exposure Loss of website Ransomware Security policies and testing Financial transactions Privacy breach and incident response
Risk Type: Strategic					
Risk Category: Infrastructure					
Strategic Objective: Growth & Customer Service.					
Risk Owner: Managing Director					
RISK: Cyber threat to YPO systems, data and website					
CAUSES: Unauthorised internal or external access to / corruption of systems, data and website.					
CONSEQUENCES: Inability to service customer base resulting in damage to reputation and financial loss.					

YPO STRATEGIC RISK REGISTER Q1 2016 – RISK OWNERS: BOARD OF DIRECTORS

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE AS AT JAN 2018
<p>Risk Number: SR-0008</p> <p>Risk Type: Strategic</p> <p>Risk Category: Infrastructure</p> <p>Strategic Objective: Growth & Competitiveness.</p> <p>Risk Owner: Assistant Director, HR & Logistics</p> <p>RISK: Inadequate workforce skills to support organisational strategy.</p> <p>CAUSES: Lack of availability and/or loss of staff or changes in organisational workforce skill requirements.</p> <p>CONSEQUENCES: Inability to support growth, loss of opportunity or inability to service customers leading to damage to reputation and financial loss.</p>	<ul style="list-style-type: none"> • Workforce Strategy. • Objectives defined in business plans. • HR Policies and Procedures. • Agency Workers. • HR Business Partner Model. • Annual appraisal process. • Competency matrix • Workforce skills audit • Apprentice recruitment and development programme <p>RISK CONTROL ASSESSMENT: Good</p>	<p>Medium</p>	<p>Medium</p>	<p>Medium</p>	<p>Warehouse performance management Recruitment and Retention Strategy Training in recruitment Management Development Programme to include HR soft skills</p> <p>In addition to the above, a workforce skills audit has been carried out and an apprentice recruitment and development programme put in place.</p> <p>This area is due to be reviewed by Internal Audit in early 2018 and any further updates will be made once they have reported.</p> <p>The Board are aware that Brexit may have an impact on access to labour and skills.</p>

YPO STRATEGIC RISK REGISTER Q1 2016 – RISK OWNERS: BOARD OF DIRECTORS

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE AS AT JAN 2018
Risk Number: SR-0009a	<ul style="list-style-type: none"> • IT Strategy. • Investment Plans. • People Strategy. • DR site. • External consultants <p>RISK CONTROL ASSESSMENT: Fair</p>	Medium	Medium	Medium	<p>Improvements in hardware, software, infrastructure and IT security have been made continually throughout 2017 but the pace of change is fast.</p> <p>In 2017 YPO invested in a number of external partnerships to provide further IT support.</p> <p>We are also alert to third party / partner outages (eg TNT) and the impact they have on YPO.</p>
Risk Type: Strategic					
Risk Category: Infrastructure					
Strategic Objective: Growth, New Products & Customer Service.					
Risk Owner: Executive Director (Procurement, IT & Finance)					
RISK: Inadequate IT infrastructure including IT capabilities, physical infrastructure, support and development					
CAUSES: Lack of investment, poor resource management, lack of skills or conflicting demands on time.					
CONSEQUENCES: YPO does not have the systems to support its strategic objectives leading to opportunity loss, damage to reputation and financial loss.					

YPO STRATEGIC RISK REGISTER Q1 2016 – RISK OWNERS: BOARD OF DIRECTORS

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE AS AT JAN 2018
Risk Number: SR-0010	<ul style="list-style-type: none"> • Business Process Mapping in place for some areas. • Documented policies and procedures. • Training. <p>RISK CONTROL ASSESSMENT: Fair</p>	Low	Medium	Low	Work has been ongoing throughout 2017, especially in relation to the LINK project to map business processes. Efficiency is now considered regularly at SLT meetings.
Risk Type: Strategic					
Risk Category: Infrastructure					
Strategic Objective: Growth & Customer Service.					
Risk Owner: Managing Director					
RISK: Inefficient business processes.					
CAUSES: Lack of documented processes, inadequate or dated systems, bottlenecks or resistance to change.					
CONSEQUENCES: Reduced productivity, poor customer service, duplication of work, wasted resources and financial loss					

YPO STRATEGIC RISK REGISTER Q1 2016 – RISK OWNERS: BOARD OF DIRECTORS

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE AS AT JAN 2018
<p>Risk Number: SR-0011</p> <p>Risk Type: Strategic</p> <p>Risk Category: Reputational</p> <p>Strategic Objective: New Products & Customer Service.</p> <p>Risk Owner: Executive Director (Commercial)</p> <p>RISK: Inability to cope with rapid changes in marketplace</p> <p>CAUSES: Lack of market knowledge, lack of skills, lack of available funds, conflicting business demands, delays / restrictions caused by the Committee structure or market consolidation.</p> <p>CONSEQUENCES: Loss of opportunity leading to loss of business and financial loss.</p>	<ul style="list-style-type: none"> • Customer survey and feedback process. • Benchmarking. • Market intelligence data. • Board oversight and use of emergency delegated powers. • Strategy Review • Monitoring pricing policy <p>RISK CONTROL ASSESSMENT: Fair</p>	Medium	Medium	Medium	<p>The Commercial Activity Plan is in place and performance is reported monthly to the Board. Each month the Commercial Analyst captures market intelligence from the ASMs, BESA etc. analyses and presents this for discussion.</p> <p>Internal Audit completed an audit on this area in Dec 2017 and the risk will be reviewed further once the draft report has been considered in Jan 2018.</p>

YPO STRATEGIC RISK REGISTER Q1 2016 – RISK OWNERS: BOARD OF DIRECTORS

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE AS AT JAN 2018	
Risk Number: SR-0012	<ul style="list-style-type: none"> • Customer Complaints Procedure. • KPI monitoring. • Workforce Planning. • Training & Development. • Performance management. • ICS Programme • Customer Survey. 	Low	Medium	Low	A new 3 year customer strategy has been developed alongside the 3 year corporate strategy and will introduce further KPIs and performance measures, which will be monitored on a regular basis.	
Risk Type: Strategic						
Risk Category: Reputational						
Strategic Objective: Growth, Competitiveness & Customer Service.						
Risk Owner: Executive Director (Commercial)						
RISK: Poor customer service.						RISK CONTROL ASSESSMENT: Good
CAUSES: Current infrastructure and resource being insufficient to support the business. Lack of skills and resistance to change.						
CONSEQUENCES: Damaged reputation and loss of business leading to financial loss.						

YPO STRATEGIC RISK REGISTER Q1 2016 – RISK OWNERS: BOARD OF DIRECTORS

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE AS AT JAN 2018
<p>Risk Number: SR-0013</p> <p>Risk Type: Strategic</p> <p>Risk Category: Reputational</p> <p>Strategic Objective: Growth.</p> <p>Risk Owner: Managing Director</p> <p>RISK: Non-compliance with legislation and regulation.</p> <p>CAUSES: Inadequate policies and procedures, lack of knowledge or deliberate breach.</p> <p>CONSEQUENCES: Legal action leading to financial penalties and damage to reputation.</p>	<ul style="list-style-type: none"> • Named officers assigned responsibility for defined areas of legal compliance. • Legal updates • Regular policy review cycle. • Legal implications detailed in Committee reports • In house qualified legal employee <p>RISK CONTROL ASSESSMENT: Good</p>	Medium	Medium	Medium	<p>YPO maintains a Legal & Regulatory Framework summary. Policy updates take into account changes in legislation and regulation. Key areas of focus in 2017 have been:</p> <p>GDPR – Board agreed an action plan in Feb 2016 to facilitate compliance by May 2018. Existing policies have been revised and new ones written. A corporate project is in place to focus on technical (data storage and mapping) compliance.</p> <p>Brexit – key areas of risk identified include: changes to public procurement regulations, controls on imported goods, access to temporary labour and exchange rate fluctuation.</p>

YPO STRATEGIC RISK REGISTER Q1 2016 – RISK OWNERS: BOARD OF DIRECTORS

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE AS AT JAN 2018
<p>Risk Number: SR-0014</p> <p>Risk Type: Strategic</p> <p>Risk Category: Reputational</p> <p>Strategic Objective: Growth.</p> <p>Risk Owner: Managing Director</p> <p>RISK: Damage to reputation or loss of business.</p> <p>CAUSES: Insufficient attention to ethics / corporate social responsibility / social environmental and ethical standards or market speculation.</p> <p>CONSEQUENCES: Inability to compete in tender processes leading to loss of sales. Legal action and financial penalties. Reduction in employee morale leading to reduction in productivity.</p>	<ul style="list-style-type: none"> • Implementation of ISO14001. • CSR Project Team. • Environmental Policy Statement. • QA Policy • Staff Training • H&S Committee with oversight • Employee communications programme. <p>RISK CONTROL ASSESSMENT: Good</p>	Low	Medium	Low	<p>In 2016 YPO published a Modern Slavery Statement that reflected an examination of our sourcing and supply chain and commitment to corporate social responsibility and ethical business practices.</p> <p>Following the 2017 annual governance review and the proposal to move to an annual report style Annual Governance Statement, YPO's commitment to corporate ethics will be one of the areas of focus in the new report.</p>

YPO STRATEGIC RISK REGISTER Q1 2016 – RISK OWNERS: BOARD OF DIRECTORS

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE AS AT JAN 2018
Risk Number: SR-0015 Risk Type: Strategic Risk Category: Infrastructure Strategic Objective: Growth & New Products. Risk Owner: Assistant Director, HR & Logistics RISK: Inability to fulfil customer orders. CAUSES: Major supply chain failure CONSEQUENCES: Loss of sales and damage to reputation leading to financial loss.	<ul style="list-style-type: none"> • Supplier management. • Alternative offering provision. • Category Management Planning to ensure that YPO is not dependent on a few major suppliers. • Stock control planning. • Capacity planning • Third party logistics support <p>RISK CONTROL ASSESSMENT: Good</p>	Low	Medium	Low	Control is exercised through the Add One stock control system. Regular reports are considered on KPIs including: stock levels, hit rates and customer satisfaction levels.

YPO STRATEGIC RISK REGISTER Q1 2016 – RISK OWNERS: BOARD OF DIRECTORS

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE AS AT JAN 2018
Risk Number: SR-0021	<ul style="list-style-type: none"> • Strategic Officers Meetings. • Partnership meetings. • Committee Schedule. <p>RISK CONTROL ASSESSMENT: Good</p>	Low	High	Medium	Consideration was given to this risk in putting together the new 3 year strategy 2018 – 2020 to ensure awareness of YPO’s owners’ strategic and political wishes, especially in relation to member traded services.
Risk Type: Strategic					
Risk Category: Financial & Reputational					
Strategic Objective: Customer Service, Competitiveness, Growth, New products.					
Risk Owner: Managing Director					
RISK: Restrictions on operations.					
CAUSES: Poor relationships or breakdown in relationships with key stakeholders.					
CONSEQUENCES: Inability to fulfil customer orders leading to damage to reputation and financial loss. Job losses and low morale.					
The new 3 year strategy meets with our owners’ approval.					

YPO STRATEGIC RISK REGISTER Q1 2016 – RISK OWNERS: BOARD OF DIRECTORS

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE AS ATJAN 2018
Risk Number: SR-0022	<ul style="list-style-type: none"> • Declaration of interest procedure. • Standing Orders and Financial Procedure Rules. • Independent Director • Director training <p>RISK CONTROL ASSESSMENT: Good</p>	Low	Medium	Low	<p>This risk is recognised and has been further mitigated by asking the S151 Officer and Chair to agree key changes to trading terms.</p> <p>Internal Audit carried out work in late 2017 to review this risk and it will be reviewed once IA issues their report in early 2018, if they raise any concerns or recommend improved controls.</p>
Risk Type: Strategic					
Risk Category: Financial & Reputational					
Strategic Objective: Customer Service, Competitiveness, Growth, New products.					
Risk Owner: Managing Director					
RISK: Conflict of Interest.					
CAUSES: Joint directorships / members of YPO Joint Committee and YPO Procurement Services Ltd.					
CONSEQUENCES: Possibility that the best interests of YPO Joint Committee are not put first.					

YPO STRATEGIC RISK REGISTER Q1 2016 – RISK OWNERS: BOARD OF DIRECTORS

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE AS AT JAN 2018	
Risk Number: SR-0023	<ul style="list-style-type: none"> • Shared members / directors across YPO Joint Committee and YPO Procurement Holdings Ltd Board. • Visibility of YPO Procurement Holdings Ltd business plans. • Management Services Agreement. • Trading Agreement 	Low	Medium	Low	The annual Commercial Plan was presented to the Board and agreed and is in line with the overall strategy for YPO.	
Risk Type: Strategic						
Risk Category: Financial, Reputational & Marketplace						
Strategic Objective: Customer Service, Competitiveness, Growth, New products.						
Risk Owner: Executive Director (Commercial)						
RISK: Dilution of YPO brand.						RISK CONTROL ASSESSMENT: Good
CAUSES: YPO Procurement Holdings Ltd operating in new markets.						
CONSEQUENCES: Damage to reputation leading to loss of sales and financial loss. Legal challenge by competitors.						

This page is intentionally left blank



YPO

AUDIT & SCRUTINY SUB-COMMITTEE

TO BE HELD ON

16TH FEBRUARY 2018

TITLE: BRIBERY & FRAUD RISK ASSESSMENTS - UPDATE

REPORT OF: EXECUTIVE DIRECTOR

1. BACKGROUND INFORMATION

- 1.1 YPO maintains risk assessments that set out our exposure to the risk of bribery and the risk of fraud. These risk assessments are reviewed regularly, and reported to the Board and the Audit & Scrutiny Sub-Committee at least annually.
- 1.2 The Bribery Risk Assessment (Appendix 1) lists almost 60 risk factors of which all but nine are rated low risk: the remaining nine are rated as medium risk and have been transferred to operational risk registers managed by the Head of Trading, Head of Procurement, and the Contracts Manager. These have been reviewed and no material changes were identified.
- 1.3 The Fraud Risk Assessment (Appendix 2) includes 37 risks of which just over half are assigned to the Head of Finance and a further nine to the Contracts Manager: seven are HR related and the final two are IT / data related. 30 risks are rated as “Low” (green) and four as “Medium” (amber). Three risks are rated as “High” (red) and in each case the risk control assessment is rated as “Good”: these are
- FR-FIN-0003 Illegal diversion or transfer of money
 - FR-FIN-0014 Shared use of purchase card while named holder is on leave / absent
 - FR-FIN-0017 Payment made as a result of a scam
- 1.4 32 risks are assessed as having “Good” risk control assessments, five are assessed as “Fair”. Of these five, listed below, only the last has a risk rating of “Medium”, the others have a risk rating of “Low”
- FR-FIN-0018 Theft of stock or physical assets
 - FR-PRC-0003 Unauthorised price changes / continued poor service delivery
 - FR-PRC-0005 Tenders accepted late or outside of the process
 - FR-ICT-0001 Introducing a virus to IT assets
 - FR-DIR-0001 Sale or use of sensitive information
- 1.5 The analysis above, and the updates to Appendix 2, show that the risks identified are generally well controlled and that managers are aware of both higher rated risks and those where there is a residual risk, even after controls have been put in place.

2. STRATEGIC IMPLICATIONS

- 2.1 The Bribery and Fraud Risk Assessments include risks to the delivery of YPO's three year strategy and risks that may arise from new ways of doing business.

3. FINANCIAL/RESOURCE IMPLICATIONS

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

4. LEGAL IMPLICATIONS

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

5. RISK IMPLICATIONS

- 5.1 Maintaining bribery and fraud risk assessments and reviewing them regularly helps us to identify and minimise our exposure to risk in these areas.

6. CONSULTATION

- 6.1 Board Members, Heads of Department and other senior managers to whom risks have been assigned have been consulted and their comments reflected in the assessments

7. OPTIONS APPRAISAL

- 7.1 None: it is essential that we maintain bribery and fraud risk assessments to identify and minimise our exposure to risk in these areas.

8. RECOMMENDATIONS

- 8.1 The Audit & Scrutiny Sub-Committee note that the bribery and fraud risk assessments have been reviewed and updated with new and ongoing controls and risk mitigation.

9. REASONS FOR RECOMMENDATIONS

- 9.1 Risk management is a key element of our governance and system of internal control.

SERVICE DIRECTOR: PAUL SMITH, EXECUTIVE DIRECTOR

YPO
41 Industrial Park
Wakefield
WF2 0XE

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

CONTACT OFFICER: ANDREA HIRST-GEE, INTERIM RISK & COMPLIANCE MANAGER

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 821740

E-mail address: andrea.hirst-gee@ypo.co.uk

APPENDICES

Appendix 1: Bribery Risk Assessment - Update

Appendix 2: Fraud Risk Assessment - Update

This page is intentionally left blank

YPO - BRIBERY RISK ASSESSMENT

Organisation: Yorkshire Purchasing Organisation			
Prepared By: Andrea Hirst-Gee	Job Title: Interim Risk & Compliance Manager	Date: Q1 2018	Review Date: Q1 2019

Category	Risk	Detail	Risk Rating (L, M, H)	Existing Control Measures	Additional Action Required	Risk Transferred to Risk Register?
The Organisation	Where is the organisation incorporated?	YPO is a Joint Committee formed in the UK under Local Authority Goods & Services Act	L	N/A	None	No
The Organisation	Is it part of a group of companies?	No	L	N/A	None	No
The Organisation	Where is overall management located?	UK	L	N/A	None	No
The Organisation	What is the global spread of the organisation's subsidiaries and / or parents?	UK	L	N/A	None	No
The Business	In what markets / business sectors does the organisation operate?	YPO provides goods and services to local authority customers as well as organisations with local authority funding and most organisations with charitable status including private schools, further education & higher education establishments. Under our constitution it is not possible for us to supply goods to private companies with the exception of YPO Supplies Ltd or to individuals for personal use	L	N/A	None	No

YPO - BRIBERY RISK ASSESSMENT

Category	Risk	Detail	Risk Rating (L, M, H)	Existing Control Measures	Additional Action Required	Risk Transferred to Risk Register?
The Business	Is part of its business undertaken in the UK?	Yes	L	N/A	None	No
The Business	Does the business involve import / export?	Yes. Global Sourcing of Goods from overseas	M	Anti Fraud & Bribery Policy Employee Code of Conduct Contract Standing Orders Financial Procedure Rules. Gifts and Hospitality Policy. Register of Employee Interests Policy. Fraud Response Plan Staff training	None	OR-PRC-0006 Owned by Contracting Manager / Head of Trading 'Financial Crime, Fraud, Bribery and or Corruption' 'OR-PRC-0007 Owned by Head of Trading. 'Unethical behaviour of a supplier'
The Business	Are any of these markets / business sectors known to have general or specific bribery risks?	Yes – China & the far east	M	Anti Fraud & Bribery Policy Employee Code of Conduct Contract Standing Orders Financial Procedure Rules. Gifts and Hospitality Policy. Register of Employee Interests Policy. Fraud Response Plan Staff training	None	OR-PRC-0006 Owned by Contracting Manager / Head of Trading 'Financial Crime, Fraud, Bribery and or Corruption' 'OR-PRC-0007 Owned by Head of Trading. 'Unethical behaviour of a supplier'
The Business	Are there any specific business activities / processes which are at a higher risk of bribery than others	Yes – Global Sourcing & Contracts & Tenders	M	Anti Fraud & Bribery Policy Employee Code of Conduct Contract Standing Orders Financial Procedure Rules. Gifts and Hospitality Policy. Register of Employee Interests Policy.	None	OR-PRC-0007 Owned by Head of Trading 'Unethical behaviour of a supplier'

YPO - BRIBERY RISK ASSESSMENT

Category	Risk	Detail	Risk Rating (L, M, H)	Existing Control Measures	Additional Action Required	Risk Transferred to Risk Register?
				Fraud Response Plan Staff training		OR-PRC-0006 Owned by Contracting Manager & Head of Trading & Head of Procurement Services 'Financial Crime, Fraud, Bribery and or Corruption'
Transactions	Are there any high value / particularly significant transactions that the organisation enters into on a regular / irregular basis?	Yes – Energy and other large contracts	M	Anti Fraud & Bribery Policy Employee Code of Conduct Contract Standing Orders Financial Procedure Rules. Gifts and Hospitality Policy. Register of Employee Interests Policy. Fraud Response Plan Staff training WMDC Internal audit completed on area	None	OR-PRC-0006 Owned by Contracting Manager & Head of Trading & Head of Procurement Services 'Financial Crime, Fraud, Bribery and or Corruption'
Transactions	Do any transactions involve intermediaries, agents, representatives, consortia, JV partners?	Yes – Overseas Sourcing / Partners	M	Anti Fraud & Bribery Policy Employee Code of Conduct Contract Standing Orders Financial Procedure Rules. Gifts and Hospitality Policy. Register of Employee Interests Policy. Fraud Response Plan Staff training	None	OR-PRC-0006 Owned by Contracting Manager & Head of Trading & Head of Procurement Services 'Financial Crime, Fraud, Bribery and or Corruption'
Transactions	Does the organisation depend of a few high value transactions or a mix of transactions?	Mix of transactions	L	N/A	None	

YPO - BRIBERY RISK ASSESSMENT

Category	Risk	Detail	Risk Rating (L, M, H)	Existing Control Measures	Additional Action Required	Risk Transferred to Risk Register?
The Locations	In which countries does the organisation operate its business?	UK	L	N/A	None	
The Locations	Does the organisation have any overseas subsidiaries or parent company?	No	L	N/A	None	
The Locations	Does the organisation operate its business overseas through agents or representatives?	No	L	N/A	None	
The Locations	Are any jurisdictions in which the organisation operates known to be high risk jurisdictions for bribery and corruption?	No	L	N/A	None	
The Locations	What (if anything has been done to mitigate or deal with these risks?	N/a	L	N/A	None	
The Management	Who is responsible for overseeing compliance within the organisation?	UK based Board of Directors	L	N/A	None	
The Management	Is management at a group or country level?	Management based within the UK	L	N/A	None	
The Management	Does management have oversight of all things done on behalf of the organisation or is oversight delegated to committees or local management?	Day to day running by SMT / Board of Directors. Committees have oversight.	L	N/A	None	

YPO - BRIBERY RISK ASSESSMENT

Category	Risk	Detail	Risk Rating (L, M, H)	Existing Control Measures	Additional Action Required	Risk Transferred to Risk Register?
The Management	Is there a clear and coherent anti-bribery message coming from management?	Yes	L	Anti-Fraud & Bribery Policy in place	None	
The Contractors / Agents / Partners	Does the organisation use agents or representatives for sales / promotional activities?	No	L	N/A	None	
The Contractors / Agents / Partners	Does the organisation have any joint venture partners?	Yes	M	Anti-Fraud & Bribery Policy Employee Code of Conduct Contract Standing Orders Financial Procedure Rules. Gifts and Hospitality Policy. Register of Employee Interests Policy. Fraud Response Plan Staff training	None	OR-PRC-0006 Owned by Contracting Manager & Head of Trading & Head of Procurement Services 'Financial Crime, Fraud, Bribery and or Corruption'
The Contractors / Agents / Partners	Does the organisation impose an anti bribery policy on its contractual partners?	Yes – also a reason for automatic refusal under public sector contracting rules	L	Contract terms	None	
The Contractors / Agents / Partners	What (if any) due diligence has been undertaken into the organisation's contractual partners?	Contractual partners undergo full due diligence as part of the tender / contracting process	L	Contract Standing Orders	None	
The Contractors / Agents / Partners	What are the sanctions (if any) against a contractual partner for a breach of a bribery policy?	Anti bribery clause allows contract to be terminated. Persons found guilty of bribery can be debarred from public contracts	L	Contract Standing Orders	None	

YPO - BRIBERY RISK ASSESSMENT

Category	Risk	Detail	Risk Rating (L, M, H)	Existing Control Measures	Additional Action Required	Risk Transferred to Risk Register?
Known Bribery Risks	Has the organisation faced any bribery incidents in the past?	No	L	N/A	None	
Known Bribery Risks	If so, where, when and by whom?	N/a	L	N/A	None	
Known Bribery Risks	What has been done to prevent such incidents happening again – and has this been successful?	N/a	L	Anti Fraud and Bribery Policy Whistleblowing Code of Practice Fraud Response Plan	None	
The Policies	Does the organisation have a clear anti-bribery message?	Yes	L	Anti Fraud & Bribery Policy in place	None	
The Policies	What general compliance policies does the company already have in place?	Anti Fraud & Bribery Policy Financial Procedure Rules Contract Standing Orders Employee Code of Conduct Fraud Response Plan Whistleblowing Code of Practice Gifts & Hospitality Protocol Declaration of Interests Policy	L	Policies in place	None	
The Policies	Does it have a specific policy regarding bribery?	Yes	L	Anti Fraud & Bribery Policy in place	None	
The Policies	Is there a policy on corporate hospitality / promotional expense / charitable donation / sponsorship?	Yes policy in place and signed off by Board	L	N/s	None	
The Policies	Have the relevant policies been implemented and enforced?	Yes	L	Policies in place and communicated	None	

YPO - BRIBERY RISK ASSESSMENT

Category	Risk	Detail	Risk Rating (L, M, H)	Existing Control Measures	Additional Action Required	Risk Transferred to Risk Register?
The Policies	How are the relevant policies communicated internally or externally?	Policies are available on the intranet and any applicable policies on the YPO internet site. Various policies form part of an induction programme	L	Communications policy in place	None	
The Policies	Are staff required to acknowledge that they have read understood and will adhere to the policy?	Yes	L	Employee Code of Conduct contains a declaration which must be signed by the employee confirming they will comply with YPO's various policies	None	
The Policies	What disciplinary sanctions are there for breach of policy? Have they been applied consistently?	Anti-Fraud & Bribery Policy states it is a disciplinary offence to breach the policy / included in disciplinary procedures under gross misconduct.	L	Anti Fraud & Bribery Policy. Disciplinary Procedures.	None	
Training	What training has been given to staff on bribery?	OLAS training to office based staff. Employee briefing to warehouse	L	training in place	None	
Financial Controls	What is the organisation's budget for corporate hospitality?	None	L	N/a	None	
Financial Controls	Does the company allow "off book" accounting?	No	L	Financial Procedure Rules	None	
Financial Controls	Has the organisation ever accounted or budgeted for facilitation payments?	No	L	Financial Procedure Rules Anti Fraud & Bribery Policy	None	
Financial Controls	What financial controls are imposed on expenses (e.g. must they be documented / explained)?	Must be fully documented	L	Financial Procedure Rules Travel and Subsistence Policy	None	

YPO - BRIBERY RISK ASSESSMENT

Category	Risk	Detail	Risk Rating (L, M, H)	Existing Control Measures	Additional Action Required	Risk Transferred to Risk Register?
Financial Controls	Are regular audits / spot checks undertaken to identify anomalies / suspicious transactions?	Yes	L	WMDC Internal Audit Audit Commission Payroll Spot Check	None	
Financial Controls	How and to whom are anomalies reported?	WMDC Internal Audit Audit Commission Whistleblowing Code of Practice Fraud Response Plan	L	WMDC Internal Audit Audit Commission Whistleblowing Code of Practice Fraud Response Plan	None	
Interaction with Government / Public Authorities (UK)	Does the organisation interact with any domestic public officials in its business?	Yes	M	Anti Fraud & Bribery Policy. Gifts & Hospitality Policy. Employees Register of Interests. Contract Standing Orders. Financial Procedure Rules	None	SR-0006 'Financial Crime, Fraud Bribery and Corruption'
Interaction with Government / Public Authorities (UK)	Does the organisation need any public licences to operate its business?	Yes – Fleet Operators Licence	L	WMDC Newton Bar	None	
Interaction with Government / Public Authorities (UK)	Does the organisation do any public sector contract work?	Yes	M	Contract Standing Orders OJEU Process	None	SR-0006 'Financial Crime, Fraud Bribery and Corruption' OR-PRC-0006 Owned by Contracting Manager & Head of Trading & Head of Procurement Services 'Financial Crime, Fraud, Bribery and or Corruption'

YPO - BRIBERY RISK ASSESSMENT

Category	Risk	Detail	Risk Rating (L, M, H)	Existing Control Measures	Additional Action Required	Risk Transferred to Risk Register?
Interaction with Government / Public Authorities (UK)	Are staff who come into contact with public officials given any particular training?	Yes – All employees received Anti-Fraud and Bribery training	M	Anti Fraud & Bribery Policy. Gifts & Hospitality Policy. Employees Register of Interests. Contract Standing Orders. Financial Procedure Rules	None	SR-0006 'Financial Crime, Fraud Bribery and Corruption' OR-PRC-0006 Owned by Contracting Manager & Head of Trading & Head of Procurement Services 'Financial Crime, Fraud, Bribery and or Corruption'
Interaction with Government / Public Authorities (Foreign)	Does the organisation need any public licences to operate its business in foreign countries?	No	L	N/a	None	
Interaction with Government / Public Authorities (Foreign)	Does the organisation do any public sector contract work in foreign countries?	No	L	N/a	None	
Corporate Hospitality / Promotional Expense Policy	Does the organisation have a policy on corporate hospitality / promotional expense?	Yes	L	Now included in the Gifts and Hospitality Policy	None	
Corporate Hospitality / Promotional Expense Policy	Is there a reporting requirement for hospitality received?	Yes	L	Gifts & Hospitality Protocol in place	None	
Corporate Hospitality / Promotional Expense Policy	Is there a financial level at which hospitality must be refused by staff?	Yes	L	Gifts & Hospitality Protocol in place	None	

YPO - BRIBERY RISK ASSESSMENT

Category	Risk	Detail	Risk Rating (L, M, H)	Existing Control Measures	Additional Action Required	Risk Transferred to Risk Register?
Corporate Hospitality / Promotional Expense Policy	Does the organisation impose quotas on the value of hospitality which can be given to a particular person/entity/organisation?	No however any hospitality would have to go through a full sign off process and be declared in line with the Gifts and Hospitality Policy	L	Gifts & Hospitality Protocol in place	None	
Corporate Hospitality / Promotional Expense Policy	Is an authorisation process required for either the receipt or the giving of hospitality?	Yes – over a set value as defined in Gifts and Hospitality Policy	L	Gifts & Hospitality Protocol in place	None	
Corporate Hospitality / Promotional Expense Policy	How much does the company spend on hospitality?	Negligible	L	Negligible	None	
Corporate Hospitality / Promotional Expense Policy	Are there any staff who receive a disproportionate amount of hospitality compared with their equivalent colleagues?	No	L	N/a	None	
Staff – Remuneration and Bonuses	Do any members of staff have their remuneration / bonuses linked with high value or public contracts?	No	L	No bonuses in place	N/a	

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018	
Risk Number: FR-FIN-0001	<ul style="list-style-type: none"> • Anti-Fraud and Bribery Policy • Change of bank details process. • Payment Card Manual • WE / invoice approval process • Contract Standing Orders and Financial Procedure Rules • Segregation of duties • Employee whistle-blowing policy • Employee code of conduct • Anti-Fraud and Bribery training to staff 	PREVIOUS ASSESSMENT			<ul style="list-style-type: none"> • Standing Orders for Contracts and Financial Procedure Rules have now been separated into two documents and updated documents were considered by the Board in Jan 2018 • Training now needs to be rolled out across YPO 	
Risk Type: Fraud Risk		Low	High	Medium Risk		
Risk Category: Financial & Reputational		CURRENT ASSESSMENT				
Risk Owner: Head of Finance		Low	High	Medium Risk		
RISK: Theft of funds by employees or outsiders		RISK CONTROL ASSESSMENT: Good				
CAUSES: Failure in controls or deliberate act.						
CONSEQUENCES: Financial loss, reputational damage.						

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-FIN-0002	<ul style="list-style-type: none"> • Financial Procedure Rules • Standard financial instructions • Regular reconciliation of income via budget monitoring • Segregation of duties <p>RISK CONTROL ASSESSMENT: Good</p> <p>All cheques are made payable to YPO and outstanding debts are pursued, which closes the loop in terms of potential misappropriated cheques and cash. All income due will be the subject of an official YPO invoice.</p>	PREVIOUS ASSESSMENT			<ul style="list-style-type: none"> • The establishment of a separate credit control function has helped.
Risk Type: Fraud Risk		Low	High	Medium Risk	
Risk Category: Financial & Reputational		CURRENT ASSESSMENT			
Risk Owner: Head of Finance		Low	High	Medium Risk	
RISK: Income received and not brought to account					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-FIN-0003	<ul style="list-style-type: none"> • Segregation of duties • Financial Procedure Rules • Authorisation rules <p>RISK CONTROL ASSESSMENT: Good</p>	PREVIOUS ASSESSMENT			<ul style="list-style-type: none"> • Procedures and controls were reviewed following the banking fraud in June 2017 • Additional training has been rolled out to raise awareness of the increased risk of fraud: this is ongoing and further regular training is planned throughout 2018
Risk Type: Fraud Risk		Medium	Medium	Medium Risk	
Risk Category: Financial & Reputational		CURRENT ASSESSMENT			
Risk Owner: Head of Finance		High	Medium	High Risk	
RISK: Illegal transfer / diversion of money					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR—FIN-0004	<ul style="list-style-type: none"> • Information systems are password protected and authority actions and levels are split. • Segregation of duties • Change of bank details procedures • Supplier set up procedure. <p>RISK CONTROL ASSESSMENT: Good</p>	PREVIOUS ASSESSMENT			
Risk Type: Fraud Risk		Low	Medium	Low Risk	
Risk Category: Financial & Reputational		CURRENT ASSESSMENT			
Risk Owner: Head of Finance		Low	Medium	Low Risk	
RISK: Changes/additions to payee details					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR—FIN-0005	<ul style="list-style-type: none"> • Financial Procedure Rules • Standard financial instructions • Regular reconciliation of income via budget monitoring • Information systems are password protected and authority actions and levels are split. <p>RISK CONTROL ASSESSMENT: Good</p>	PREVIOUS ASSESSMENT			<ul style="list-style-type: none"> • More regular review of journal transactions is planned in 2018
Risk Type: Fraud Risk		Low	Low	Low Risk	
Risk Category: Financial & Reputational		CURRENT ASSESSMENT			
Risk Owner: Head of Finance		Low	Low	Low Risk	
RISK: False creation of or unauthorised updates to accounting records					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-FIN-0006	<ul style="list-style-type: none"> • Receipts and Advice notes given • Financial Procedure Rules • Standard financial instructions • Regular reconciliation of income via budget monitoring • Information systems are password protected and authority actions and levels are split. <p>RISK CONTROL ASSESSMENT: Good</p>	PREVIOUS ASSESSMENT			
Risk Type: Fraud Risk		Low	Low	Low Risk	
Risk Category: Financial & Reputational		CURRENT ASSESSMENT			
Risk Owner: Head of Finance		Low	Low	Low Risk	
RISK: Falsification and duplication of invoices to generate a false payment		Low	Low	Low Risk	
CAUSES: Failure in controls or deliberate act.		Low	Low	Low Risk	
CONSEQUENCES: Financial loss, reputational damage.		Low	Low	Low Risk	

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-FIN-0007	<ul style="list-style-type: none"> • Income held in safe with access restricted to limited and named individuals • Payment Card Manual • WE / Invoice sign off <p>RISK CONTROL ASSESSMENT: Good</p>	PREVIOUS ASSESSMENT			<ul style="list-style-type: none"> • We review card transactions before publishing transparency data. • Review of the Payment Card Manual is included in the compliance programme
Risk Type: Fraud Risk		Medium	Medium	Medium Risk	
Risk Category: Financial & Reputational		CURRENT ASSESSMENT			
Risk Owner: Head of Finance		Medium	Medium	Medium Risk	
RISK: Unauthorised use of cheques received, payment orders and purchase card details					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-FIN-0008	<ul style="list-style-type: none"> Financial Procedure Rules Segregation of duties Write off levels <p>RISK CONTROL ASSESSMENT: Good</p>	PREVIOUS ASSESSMENT			
Risk Type: Fraud Risk		Low	Low	Low Risk	
Risk Category: Financial & Reputational		CURRENT ASSESSMENT			
Risk Owner: Head of Customer Experience		Low	Low	Low Risk	
RISK: Giving invalid 'discounts' and/or 'free' services to family/friends.					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-FIN-009	<ul style="list-style-type: none"> • Standard financial instructions • Information systems are password protected and authority actions and levels are split. • Supplier set up process <p>RISK CONTROL ASSESSMENT: Good</p> <p>All orders and subsequent payments are the subject of approval by management.</p>	PREVIOUS ASSESSMENT			<ul style="list-style-type: none"> • There is a robust supplier set up process
Risk Type: Fraud Risk		Low	Medium	Low Risk	
Risk Category: Financial & Reputational		CURRENT ASSESSMENT			
Risk Owner: Head of Finance		Low	Medium	Low Risk	
RISK: Payments made to false companies/individuals set up by staff					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-FIN-010	<ul style="list-style-type: none"> • Transactions monitored by separate members of staff to ensure segregation of duties • Contract rules • Review and certify claims • Payment Card Manual 	PREVIOUS ASSESSMENT			<ul style="list-style-type: none"> • Review of the Payment Card Manual is included in the Compliance Programme and any non-compliance will be reported to management
Risk Type: Fraud Risk		Low	Low	Low Risk	
Risk Category: Financial & Reputational		CURRENT ASSESSMENT			
Risk Owner: Head of Finance	RISK CONTROL ASSESSMENT: Good All purchase card transactions are reviewed by management.	CURRENT ASSESSMENT			
RISK: Employees making personal purchases using YPO orders and purchase cards		Low	Low	Low Risk	
CAUSES: Failure in controls or deliberate act.		Low	Low	Low Risk	
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-FIN-011	<ul style="list-style-type: none"> • Transactions monitored by separate members of staff to ensure segregation of duties • Review and certify claims • Payment Card Manual <p>RISK CONTROL ASSESSMENT: Good</p> <p>All transactions are reviewed by management.</p>	PREVIOUS ASSESSMENT			<ul style="list-style-type: none"> • Review of the Payment Card Manual is included in the Compliance Programme and any non-compliance will be reported to management
Risk Type: Fraud Risk		Medium	Low	Low Risk	
Risk Category: Financial & Reputational		CURRENT ASSESSMENT			
Risk Owner: Head of Finance		Medium	Low	Low Risk	
RISK: Purchase cards being cloned					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-FIN-012	<ul style="list-style-type: none"> • Completion of correct documents • Standard financial accounting practices and instructions • Regular reconciliation of income via budget monitoring 	PREVIOUS ASSESSMENT			<ul style="list-style-type: none"> • Regular reconciliations and review of journals
Risk Type: Fraud Risk		Low	Low	Low Risk	
Risk Category: Financial & Reputational		CURRENT ASSESSMENT			
Risk Owner: Head of Finance	RISK CONTROL ASSESSMENT: Good	CURRENT ASSESSMENT			
RISK: Appropriate accounting entries deliberately not being made to cover up likely liabilities/losses (false accounting on reconciliation)		Low	Low	Low Risk	
CAUSES: Failure in controls or deliberate act.		CONSEQUENCES: Financial loss, reputational damage.	Low	Low	Low Risk

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-FIN-013	<ul style="list-style-type: none"> • Formal VAT receipts obtained • Review and certify claims • Financial Procedure Rules • Authorisation rules <p>RISK CONTROL ASSESSMENT: Good</p> <p>All transactions are authorised by a manager / supervisor.</p>	PREVIOUS ASSESSMENT			<ul style="list-style-type: none"> • Petty cash has been added to the Compliance Programme for 2018
Risk Type: Fraud Risk		Low	Low	Low Risk	
Risk Category: Financial & Reputational		CURRENT ASSESSMENT			
Risk Owner: Head of Finance		Low	Low	Low Risk	
RISK: Submitting false documents/receipts to cover personal spend (which could also lead to VAT fraud)					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-FIN-014	<ul style="list-style-type: none"> • Transactions monitored by separate members of staff to ensure segregation of duties • Payment Card Manual • Contract Statement • Reconciliation Statement • Review and certify claims <p>RISK CONTROL ASSESSMENT: Good</p>	PREVIOUS ASSESSMENT			<ul style="list-style-type: none"> • Use of purchase cards has been added to the Compliance Programme
Risk Type: Fraud Risk		High	High	High Risk	
Risk Category: Financial & Reputational		CURRENT ASSESSMENT			
Risk Owner: Head of Finance		Medium	High	High Risk	
RISK: Shared use of purchase card while named holder is on leave					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-FIN-015	<ul style="list-style-type: none"> • Payment Card Receipts Procedure <p>RISK CONTROL ASSESSMENT: Good</p> <p>Controls exist to ensure that such information is only available to those people need to know.</p>	PREVIOUS ASSESSMENT			
Risk Type: Fraud Risk		Low	Low	Low Risk	
Risk Category: Financial & Reputational		CURRENT ASSESSMENT			
Risk Owner: Head of Finance		Low	Low	Low Risk	
RISK: Unauthorised use of customer payment card information					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-FIN-016	<ul style="list-style-type: none"> Budgetary control procedures. 	PREVIOUS ASSESSMENT			<ul style="list-style-type: none"> We have procedures in place for the invoicing and receipt of rebates and other payments due: these arrangements include separation of duties within YPO This also applies to joint ventures where rebates are shared eg with CCS Budgetary control helps to ensure that income due is monitored and variances between due and expected are investigated In 2018 we will take additional steps to ensure that those from whom income is due can recognise a YPO invoice, procedure for changes to bank accounts
Risk Type: Fraud Risk		Low	Low	Low Risk	
Risk Category: Financial & Reputational		RISK CONTROL ASSESSMENT: Good The financial control system and revised budgetary control procedures will help to ensure that all income is collected when due.	CURRENT ASSESSMENT		
Risk Owner: Head of Finance	Low		Low	Low Risk	
RISK: Deliberate failure to invoice for rebate payments / authorised variations to rebates.	CAUSES: Failure in controls or deliberate act.		CONSEQUENCES: Financial loss, reputational damage.		

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-FIN-0017	<ul style="list-style-type: none"> • Whistle blowing policy • Employee code of conduct • Checking of all records • Ensuring payment procedures are followed <p>RISK CONTROL ASSESSMENT: Good</p>	PREVIOUS ASSESSMENT			<ul style="list-style-type: none"> • There has been additional awareness training in 2017 and more is planned for 2018
Risk Type: Fraud Risk		Medium	Medium	Medium Risk	
Risk Category: Financial & Reputational		CURRENT ASSESSMENT			
Risk Owner: Head of Finance		High	Medium	High Risk	
RISK: Payment made as a result of a scam					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-FIN-0018	<ul style="list-style-type: none"> • Stock check • Staff lockers • Stop and Search Policy • Whistleblowing process • Budgetary Control Process • Stock movement & stock write off review • Asset Management Team <p>RISK CONTROL ASSESSMENT: Fair</p>	Low	Medium	Low Risk	<ul style="list-style-type: none"> • This risk will be re-assigned to the Head of Logistics in 2018
Risk Type: Fraud Risk					
Risk Category: Financial & Reputational					
Risk Owner: Head of Finance					
RISK: Theft or stock or physical assets.					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-FIN-019	<ul style="list-style-type: none"> • VAT return. • VAT audit in 2015. <p>RISK CONTROL ASSESSMENT: Good</p>	Low	Medium	Low	
Risk Type: Fraud Risk					
Risk Category: Financial & Reputational					
Risk Owner: Head of Finance					
RISK: Making payments (that include VAT) to non-VAT registered companies.					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-PRC-0001	<ul style="list-style-type: none"> • Employee code of conduct • Register of gifts, hospitality • Employees Register of Interests <p>RISK CONTROL ASSESSMENT: Good</p>	Low	Low	Low Risk	<ul style="list-style-type: none"> • We are in the process of bringing to a close our relationship with our current overseas distributor. Plans are in place to enter into new working relationships with other overseas distributors and YPO's Anti-Fraud & Bribery measures are at the forefront of this. New distributors will be required to sign up to YPO's Anti-Fraud & Bribery Policy Statement.
Risk Type: Fraud Risk					
Risk Category: Financial & Reputational					
Risk Owner: Executive Director (Procurement, IT & Finance)					
RISK: Improper gifts, benefits/hospitality and inducements					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-PRC-0002	<ul style="list-style-type: none"> • Independent review by Contract Team RISK CONTROL ASSESSMENT: Good	Low	Medium	Low Risk	
Risk Type: Fraud Risk					
Risk Category: Financial & Reputational					
Risk Owner: Contracting Manager					
RISK: Tender scoring matrix weighted unfairly or mandatory or discretionary questions not included in tender in order to manipulate outcome.					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-PRC-0003	<ul style="list-style-type: none"> • Contract management <p>RISK CONTROL ASSESSMENT: Fair</p>	Low	Medium	Low Risk	<ul style="list-style-type: none"> • Monthly margin reporting
Risk Type: Fraud Risk					
Risk Category: Financial & Reputational					
Risk Owner: Head of Trading					
RISK: Unauthorised price changes / continued poor service delivery					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-PRC-0004	<ul style="list-style-type: none"> • Ensure adequate procurement planning including identification and assessment of risks • Restricted lone working • Employees Register of Interests • Related Party Transactions <p>RISK CONTROL ASSESSMENT: Good</p>	Low	Medium	Low Risk	
Risk Type: Fraud Risk					
Strategic Objective: Financial & Reputational					
Risk Owner: Contracting Manager, Head of Trading and Head of Procurement Services					
RISK: Personal relationships between staff and suppliers / unofficial communication with vendors					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-PRC-0005	<ul style="list-style-type: none"> • Contract Standing Orders • Procurement Planning • E procurement system <p>RISK CONTROL ASSESSMENT: Fair</p>	Low	Medium	Low Risk	
Risk Type: Fraud Risk					
Risk Category: Financial & Reputational					
Risk Owner: Contracting Manager					
RISK: Tenders accepted late or outside of the process					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-PRC-0006	<ul style="list-style-type: none"> • Employees Register of Interests • Related Party Transactions • Finance acting as independent collator <p>RISK CONTROL ASSESSMENT: Good</p>	Low	Medium	Low Risk	
Risk Type: Fraud Risk					
Risk Category: Financial & Reputational					
Risk Owner: Contracting Manager					
RISK: Unfair invitations to tender / unfair advantage to individual suppliers and/or documentation: Scope for easement for contractors in the wording of documentation					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-PRC-0007	<ul style="list-style-type: none"> • 3 tier evaluation system <p>RISK CONTROL ASSESSMENT: Good</p>	Low	Medium	Low Risk	<ul style="list-style-type: none"> • Separation of duties • Sign off procedures
Risk Type: Fraud Risk					
Risk Category: Financial & Reputational					
Risk Owner: Contracting Manager, Head of Trading and Head of Procurement Services.					
RISK: Deliberate manipulation of scoring data when evaluating bids					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-PRC-0008	<ul style="list-style-type: none"> • Contract Regulations 2015 Training for procurement officers • Employees Register of Interests • Review of financial stability using Finance template and review where requested <p>RISK CONTROL ASSESSMENT: Good</p>	Low	Medium	Low Risk	
Risk Type: Fraud Risk					
Risk Category: Financial & Reputational					
Risk Owner: Contracting Manager, Head of Trading and Head of Procurement Services					
RISK: Briefing and debriefing sessions: Discrimination in favour of a particular supplier or providing misleading information					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-PRC-0009	<ul style="list-style-type: none"> • Background checks on all suppliers to make sure they are bona fide companies • Director checks by Finance when required <p>RISK CONTROL ASSESSMENT: Good</p>	Low	Low	Low Risk	
Risk Type: Fraud Risk					
Risk Category: Financial & Reputational					
Risk Owner: Contracting Manager					
RISK: Unethical behaviour by a supplier					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-HR-0001	<ul style="list-style-type: none"> • Whistle blowing policy • Employee code of conduct • Review and certify claims • Flexi sheets signed by managers and checked by HR • Time and attendance system introduced which is authorised by section managers on a daily/weekly basis. This provides accurate and timely reporting 	Low	Low	Low Risk	
Risk Type: Fraud Risk					
Risk Category: Financial & Reputational					
Risk Owner: Assistant Director HR and Logistics					
RISK: Claims by employees for payment for work not done					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.	RISK CONTROL ASSESSMENT: Good				

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-HR-0002	<ul style="list-style-type: none"> • Checking of all records • Review and certify claims checked by line managers • Spot checks by HR <p>RISK CONTROL ASSESSMENT: Good</p>	Low	Low	Low Risk	
Risk Type: Fraud Risk					
Risk Category: Financial & Reputational					
Risk Owner: Assistant Director HR and Logistics					
RISK: Claims by employees for mileage not actually covered					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-HR-0003	<ul style="list-style-type: none"> • Checking qualification documents • Also checking references and identity documents in line with border and immigration requirements <p>RISK CONTROL ASSESSMENT: Good</p>	Low	Low	Low Risk	
Risk Type: Fraud Risk					
Risk Category: Financial & Reputational					
Risk Owner: Assistant Director HR and Logistics					
RISK: False claims/documentation to obtain employment					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-HR-0004	<ul style="list-style-type: none"> • Checking of all records • Review and certify claims • Checked by line managers and spot checked by HR <p>RISK CONTROL ASSESSMENT: Good</p>	Low	Low	Low Risk	
Risk Type: Fraud Risk					
Risk Category: Financial & Reputational					
Risk Owner: Assistant Director HR and Logistics					
RISK: Unjustifiable expenses claimed during visits/events etc.					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-HR-0005	<ul style="list-style-type: none"> • Whistle blowing policy • Employee code of conduct • Contract clause in place to advise all staff over SCP 29 that they must get permission to undertake any other work <p>RISK CONTROL ASSESSMENT: Good</p>	Low	Low	Low Risk	
Risk Type: Fraud Risk					
Risk Category: Financial & Reputational					
Risk Owner: Assistant Director HR and Logistics					
RISK: Effects of staff 'moonlighting' to supplement their income					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-HR-0006	<ul style="list-style-type: none"> • Whistle blowing policy • Employee code of conduct • Timesheets, sickness absence and leave cards signed off by managers • Checking of all records there is a division in duties within HR so payroll final sign off sits with a HR Business Partner • HR involved in all recruitment <p>RISK CONTROL ASSESSMENT: Good</p>	Low	Low	Low Risk	
Risk Type: Fraud Risk					
Risk Category: Financial & Reputational					
Risk Owner: Assistant Director HR and Logistics					
RISK: Ghost staff created and paid					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-HR-0007	<ul style="list-style-type: none"> • Stock control procedures • Computer usage policy • Lease car policy • Code of Conduct • Whistleblowing policy • Stop and Search policy (includes introducing a policy of no bags on the shop floor) <p>RISK CONTROL ASSESSMENT: Good</p>	Low	Low	Low Risk	
Risk Type: Fraud Risk					
Risk Category: Financial & Reputational					
Risk Owner: Assistant Director HR and Logistics					
RISK: Employees use equipment for personal purposes e.g. running their own business					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-ICT-0001	<ul style="list-style-type: none"> • User training. • Computer Usage Policy. • Antivirus software. • Daily virus checks. • Firewall. • Message Labs email filtering. • Daily job schedule <p>RISK CONTROL ASSESSMENT: Fair</p>	Low	Moderate	Low Risk	<ul style="list-style-type: none"> • IT continuously review and update data and online security but there is always the risk of new viruses, malware and other forms of disruption to our systems and website • New training was rolled out across YPO in 2017 and this is ongoing • IT have set up a new email address so that staff can forward any suspicious emails to be opened in a controlled environment
Risk Type: Fraud Risk					
Risk Category: Financial & Reputational					
Risk Owner: IT Delivery Manager					
RISK: Introducing a virus to IT assets.					
CAUSES: Failure to abide by the Computer Usage Policy or lack of security and operating system updates.					
CONSEQUENCES: Loss of operating system, data loss causing damage to reputation and lost sales.					

YPO FRAUD RISK ASSESSMENT – Q1 2018

RISK DESCRIPTION	EXISTING CONTROL MEASURES	LIKELIHOOD	IMPACT	RISK RATING	UPDATE JAN 2018
Risk Number: FR-DIR-001	<ul style="list-style-type: none"> • Code of Conduct • Control of information through encrypted files (certain elements) • Contract rules • Segregation of duties • Regular training for purchase card holders <p>RISK CONTROL ASSESSMENT: Fair</p>	Low	High	Medium Risk	
Risk Type: Fraud Risk					
Risk Category: Financial & Reputational					
Risk Owner: Executive Director (Procurement, IT & Finance)					
RISK: Sale or use of sensitive information					
CAUSES: Failure in controls or deliberate act.					
CONSEQUENCES: Financial loss, reputational damage.					

This page is intentionally left blank

Part 1 of Schedule 1A of the Privacy Act 1972.

Document is Restricted

This page is intentionally left blank

Part 1 of Schedule 1A of the Information Act 1972.

Document is Restricted

This page is intentionally left blank

~~Refer to Part 1 of Schedule 12A of the Land Information Management Act 1972.~~

Document is Restricted

This page is intentionally left blank

Part 1 of Schedule 1A of the Information Act 1972.

Document is Restricted

This page is intentionally left blank

Part 1 of Schedule 1A of the Information Act 1972.

Document is Restricted

This page is intentionally left blank

Refer to Part 1 of Schedule 12A of the Information Privacy Act 1972.

Document is Restricted

This page is intentionally left blank

Part 1 of Schedule 1A of the Information Act 1972.

Document is Restricted

This page is intentionally left blank

~~Refer to Part 1 of Schedule 12A of the Land Information Management Act 1972.~~

Document is Restricted

This page is intentionally left blank

Part 1 of Schedule 1A of the Privacy Act 1972.

Document is Restricted

This page is intentionally left blank

Part 1 of Schedule 1A of the Information Act 1972.

Document is Restricted

This page is intentionally left blank