

Your Ref.
Our Ref

Please Reply To Kayley Sykes
Telephone No (01924) 834912
Email kayley.sykes@ypo.co.uk
Date 02 February 2017

Town Hall, Wood Street, Wakefield, West Yorkshire WF1
2HQ
T 01924 305100; E jroney@wakefield.gov.uk
Typetalk calls welcome

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

Dear Member

YPO AUDIT SUB-COMMITTEE – FRIDAY, 10 FEBRUARY 2017

It is with pleasure that I write to invite you to attend a meeting of the YPO Joint Committee Audit Sub-Committee which is to be held at **10:30 am on Friday, 10 February 2017 in the YPO HQ, 41 Industrial Park, Wakefield** to consider the items set out in the agenda attached.

Would all Members please note that a training session will be provided at 10.00am entitled External & Internal Audit Relationship.

Yours sincerely



Joanne Roney OBE
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 SUB-COMMITTEE -
Friday, 10 February 2017**

AGENDA

1. Election of Chair.
Nominations are requested for the position of Chair of the Audit Sub-Committee.
2. Chair's Introduction and Welcome.
3. Acceptance of Apologies for Absence.
4. Members' Declaration of Interest.
5. To approve, as a correct record, the Minutes of the meeting held on 4 November 2016. (Page 1)
6. To note any items which the Chairman has agreed to add to the agenda on the grounds of urgency.
7. Committee Structure. (Pages 3 - 5)
8. Annual Governance Statement. (Pages 7 - 82)
9. Audit Plan. (Pages 83 - 100)
10. Pre-Audit Statement of Accounts. (Pages 101 - 140)
11. Internal Audit Annual Report 2016. (Pages 141 - 150)
12. Internal Audit Plan 2017. (Pages 151 - 159)

IN PRIVATE

13. Exclusion of the Public and Press
In relation to reports containing exempt information to consider and, if approved, pass the following resolution: -

"That the public and press be excluded from the meeting during consideration of agenda item 14 on the grounds that it is likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972 as amended"
14. IT Programme Update. (Pages 161 - 171)
15. Internal Audit Action Update. (Pages 173 - 175)
16. Date and Time of Next Meeting.
The next meeting of the Audit Sub-Committee will be held on 28 April 2017 at 10.30am.

SCRUTINY SUB-COMMITTEE - FOR INFORMATION ONLY

17. Chair's Introduction and Welcome.
18. Acceptance of Apologies for Absence.
19. Members' Declaration of Interest.
20. To approve, as a correct record, the Minutes of the Scrutiny Sub-Committee held on 21 October 2016. (Pages 177 - 178)
21. To note any items which the Chairman has agreed to add to the agenda on the grounds of urgency.
22. Committee Structure. (Pages 179 - 181)
23. Gifts and Hospitality. (Pages 183 - 199)

IN PRIVATE

24. Exclusion of the Public and Press.
In relation to reports containing exempt information to consider and, if approved, pass the following resolution: -

“That the public and press be excluded from the meeting during consideration of agenda items 24 to 26 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”

25. Procurement Services Strategy. (Pages 201 - 214)
26. Commercial Strategy. (Pages 215 - 224)
27. Stock Losses. (Pages 225 - 230)
28. Date and Time of Next Meeting.
The next meeting of the YPO Scrutiny Sub-Committee will be held on 19 May 2017 at 10.30am.

YORKSHIRE PURCHASING ORGANISATION AUDIT SUB-COMMITTEE

Friday 4th November 2016

Present: County Councillor Trotter (North Yorkshire CC)

**** Meeting not quorate ****

	ACCEPTANCE OF APOLOGIES FOR ABSENCE
	Apologies for absence submitted prior to the meeting were accepted on behalf of Councillor Dagger (Wakefield MDC), Councillor Pillai (Calderdale), Councillor Kenny (Wigan), Councillor Waller (York) and Councillor Mather (Kirklees).
	DATE AND TIME OF NEXT MEETING
	Resolved – That the next meeting of the YPO Audit Sub-Committee will be held on 26th February 2016 at 10.00am, at YPO Headquarters.

This page is intentionally left blank



YPO
AUDIT SUB-COMMITTEE
TO BE HELD ON
10TH FEBRUARY 2017

TITLE: PROPOSED MERGER OF AUDIT AND SCRUTINY SUB-COMMITTEES

REPORT OF: MANAGING DIRECTOR

1. BACKGROUND INFORMATION

- 1.1 YPO's current Management Agreement, dated 8th September 2011, states under paragraph 6.(5), "The Management Committee shall appoint annually from its membership those sub-committees that it considers necessary to discharge its duties and responsibilities under this Agreement, and shall include at least an Executive Sub-Committee, an Audit Sub-Committee and a Scrutiny Sub-Committee."
- 1.2 The current Sub-Committee structure conforms to this agreement. However, since February 2013, the Audit Sub-Committee has been inquorate three times and the Scrutiny Sub-Committee twice. There are currently nine elected members on the Audit Sub-Committee and seven on the Scrutiny Sub-Committee. In both cases, members are able to substitute from within the YPO elected members of their own authority, increasing the potential pool of members from which to achieve quoracy to eighteen and fourteen respectively.
- 1.3 On occasion, the lack of quoracy of the Audit Sub-Committee particularly has caused the organisation practical difficulties, with special measures having to be taken to obtain authority to sign and submit annual accounts.

2. PROPOSED ACTION

- 2.1 Recognising the time pressure on members, including personal, professional and local authority democratic commitments, it is proposed to reduce the required time commitment by merging the Audit Sub-Committee with the Scrutiny Sub-Committee.
- 2.2 This would reduce the overall number of committee meetings by three and, hopefully, increase the likelihood of each meeting being quorate.
- 2.3 The proposed change requires an amendment to the current Management Agreement, which must be approved by at least two thirds of the membership. This should come as a recommendation from both the Audit and the Scrutiny Sub-Committees to be considered by the full Management Committee in March 2017.
- 2.4 As the position of Chair of Audit Sub-Committee is currently vacant, it is proposed that the current Chair of Scrutiny Sub-Committee should fulfil the combined role, subject to approval of the merger by the Management Committee, for the remainder of the current

committee cycle until the next Annual General Meeting in June 2017.

3. FINANCIAL IMPLICATIONS

- 3.1 There are likely to be minimal administrative savings in both the Lead Authority and YPO due to the reduction in the number of committee meetings.

4. LEGAL IMPLICATIONS

- 4.1 Changes to the current Management Agreement would be required at paragraphs 4.(3), 6.(5) and 7.(1), along with a full rewrite of the Sub-Committee Terms of Reference and Standing Orders if the proposed merger is approved by the Management Committee.

5. RISK IMPLICATIONS

- 5.1 The risk of operational disruption to YPO would be reduced if the proposed changes increase the likelihood of quoracy at each Sub-Committee. The current high level of incidences of lack of quoracy present a risk to the effective governance of YPO.

6. OPTIONS APPRAISAL

- 6.1 The options available to members are to approve the recommendation for the merger of the two Sub-Committees as described or to maintain the current Sub-Committee structure with the on-going risk of lack of quoracy.

7. RECOMMENDATIONS

- 7.1 The Audit Sub-Committee agrees to recommend to the Management Committee on 24th March 2017, that:

- (i) the Audit Sub-Committee and the Scrutiny Sub-Committee are merged into a single Audit and Scrutiny Sub-Committee;
- (ii) the Management Agreement is amended to reflect this revised structure; and
- (iii) the current Chair of Audit Sub-Committee should fulfil the role of Chair of the combined Audit and Scrutiny Sub-Committee for the remainder of the current committee cycle until the Annual General Meeting in June 2017.

SERVICE DIRECTOR: SIMON HILL

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 834912
E-mail address: simon.hill@ypo.co.uk

APPENDIX:

Appendix 1: Audit Sub-Committee and Scrutiny Sub-Committee Attendance Details

Audit Sub Committee & Scrutiny Sub Committee Attendance Details

Audit Sub Committee			
Date	Number of Attendees	Number of Apologies	Total Number of Reps on Committee
4/11/16	1	5	9 (potentially 18)
22/4/16	3	3	9 (potentially 18)
26/2/16	5	3	9 (potentially 18)
6/11/15	4	2	9 (potentially 18)
15/5/15	2	3	9 (potentially 18)
13/3/15	4	2	9 (potentially 18)
10/10/14	5	1	9 (potentially 18)
11/4/14	4	3	9 (potentially 18)
7/2/14	2	2	9 (potentially 18)
18/10/13	3	3	9 (potentially 18)
19/7/13	4	1	9 (potentially 18)
26/4/13	3	3	9 (potentially 18)
8/2/13	4	2	9 (potentially 18)

Scrutiny Sub Committee			
Date	Number of Attendees	Number of Apologies	Total Number of Reps on Committee
21/10/16	4	1	7 (potentially 14)
20/5/16	2	3	7 (potentially 14)
5/2/16	4	0	7 (potentially 14)
16/10/15	5	1	7 (potentially 14)
5/6/15	2	2	7 (potentially 14)
6/3/15	3	3	7 (potentially 14)
12/9/14	4	2	7 (potentially 14)
2/5/14	4	2	7 (potentially 14)
14/2/14	5	1	7 (potentially 14)
13/9/13	5	3	7 (potentially 14)
19/4/13	4	0	7 (potentially 14)
15/2/13	5	1	7 (potentially 14)

This page is intentionally left blank



YPO
AUDIT SUB-COMMITTEE
TO BE HELD ON
10TH FEBRUARY 2017

TITLE: ANNUAL GOVERNANCE STATEMENT 2016

REPORT OF: EXECUTIVE DIRECTOR

1. PURPOSE OF REPORT

1.1. To request approval by the Audit Sub-Committee of the Code of Corporate Governance and Annual Governance Statement.

2. BACKGROUND INFORMATION

2.1. To deliver good governance at YPO, YPO's member authorities and the individuals working for YPO must try to achieve YPO's objectives whilst acting in the public interest at all time. Acting in the public interest implies primary consideration of the benefit for society, which should result in positive outcomes for YPO's stakeholders. YPO is responsible for ensuring that there is a sound system of governance incorporating systems of internal control so that the intended outcomes for YPO's stakeholders are defined and achieved.

2.2. YPO had approved and adopted a Code of Corporate Governance that was consistent with the principles of the CIPFA / SOLACE Delivering Good Governance Framework 2007 and Addendum 2012. During 2016 the CIPFA guidance has been updated and the core governance principles replaced. YPO's Code of Corporate Governance has been reviewed and updated to reflect these new core governance principles and is attached for approval at Appendix 1.

2.3. To comply with the CIPFA / SOLACE Delivering Good Governance Framework YPO must ensure it has a sound system of internal control in place which is reviewed annually. YPO should also review the effectiveness of its governance arrangements and report publicly on compliance with its Code of Corporate Governance. The review itself should add value to the effectiveness of the corporate governance and internal control framework. As part of the review of effectiveness the Board of Directors are required to complete a self-assessment questionnaire. The resulting Assurance Statements, used in the production of the 2016 Annual Governance Statement, are attached at Appendix 2.

2.4. The results of the annual review are reported in an Annual Governance Statement which is published with the Statement of Accounts and details how well YPO has complied with its Code of Corporate Governance. If any deficiencies in governance arrangements are identified during the review, these should be detailed in the Annual Governance Statement along with suitable improvement actions. The 2016 Annual Governance Statement and associated action plan is attached at Appendix 3 for approval by Audit Sub-Committee.

3. STRATEGIC IMPLICATIONS

3.1. YPO's Three Year Strategy 2015 – 2017 'Forward Thinking, Outward Looking' is an essential element of YPO's governance arrangements and good governance is essential to the effective delivery of YPO's strategy, vision, mission and objectives.

4. FINANCIAL IMPLICATIONS

4.1. The production of an Annual Governance Statement is an integral part of the financial reporting process.

5. LEGAL IMPLICATIONS

5.1. The Management Committee on the 25th November 2016 approved that an Annual Governance Statement would continue to form part of the annual Statement of Accounts. This was considered as a consequence of the Local Audit and Accountability Act, which removed the need for a statutory audit of the Statement of Accounts of Joint Committees.

6. EQUALITY IMPLICATIONS

6.1. There are no specific equality implications associated with this report.

7. RISK IMPLICATIONS

7.1. The Code of Corporate Governance, annual review of effectiveness, Board Assurance Statement and Annual Governance Statement are essential elements of YPO's governance and risk management arrangements.

8. RECOMMENDATIONS

8.1. That Audit Sub-Committee approve the revised Code of Corporate Governance.

8.2. That Audit Sub-Committee review the Board Assurance Statement.

8.3. That Audit Sub-Committee approve the Annual Governance Statement 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: DIANA WRIGHT, RISK & COMPLIANCE MANAGER

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 834984

E-mail address: diana.wright@ypo.co.uk

APPENDICES:

Appendix 1 – Code of Corporate Governance

Appendix 2 – Board Assurance Statements

Appendix 3 – Annual Governance Statement 2016 and Action Plan

This page is intentionally left blank

Better value, delivered.



Code of Corporate Governance

Document Control Page

Document Type	Policy	
Document Ownership	Corporate	
Title of Document	Code of Corporate Governance	
Status		
Reference number		
Controlled by		
Created/ reviewed by / date:		
Agreed by / date:		
Checked for compliance with contract standing orders and financial procedures / date:		
Agreed with Unison / date:		
Maintained by		
Publication date		
Next Review date		
Current Version		
Distribution		
Replaces document		

Code of Corporate Governance

Contents

Section 1 – Introduction

Section 2 - Corporate Governance

Section 3 – Applying the Core Principles of Good Governance

Section 4 – Annual Review and Reporting

DRAFT

1. Introduction

- 1.1. Yorkshire Purchasing Organisation (YPO) was formed in 1974 as a Joint Committee of Local Authorities. It is the largest formally constituted local authority Purchasing Consortium in the UK.
- 1.2. YPO operates under the aegis of the Local Authority (Goods and Services) Act 1970 and is governed by a Management Committee of elected representatives (councillors) from its member authorities:
 - Barnsley Metropolitan Borough Council
 - North Yorkshire County Council
 - Bolton Council
 - Rotherham Metropolitan Borough Council
 - City of Bradford Metropolitan District Council
 - St Helens Council
 - Calderdale Council
 - Wakefield Council
 - Doncaster Metropolitan Borough Council
 - Wigan Council
 - Kirklees Council
 - City of York Council
 - Knowsley Council
- 1.5 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 is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Organisation's functions which include arrangements for the management of risk.
- 1.6 In order to demonstrate good corporate governance YPO has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE 2016 Framework Delivering Good Governance in Local Government. The purpose of this document is to set out this code.

2. Corporate Governance

2.1. What is good Corporate Governance

To deliver good governance at YPO, YPO's member authorities and the individuals working for YPO must try to achieve YPO's objectives whilst acting in the public interest at all time. Acting in the public interest implies primary consideration of the benefit for society, which should result in positive outcomes for YPO's stakeholders. Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

2.2. The Local Code of Governance

A joint Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) 2016 guidance note "Delivering Good Governance in Local Government" provides a framework, intended to be used as best practice for developing and maintaining a Code of Corporate Governance.

The YPO local Code of Governance has been developed in accordance with, and is consistent with, the Delivering Good Governance in Local Government Framework 2016.

2.3. Core Governance Principles of YPO

The seven core governance principles of YPO are:

Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Principle 2: Ensuring openness and comprehensive stakeholder engagement.

Principle 3: Defining outcomes in terms of sustainable economic, social and environmental benefits.

Principle 4: Determining the interventions necessary to optimise the achievement of the intended outcomes.

Principle 5: Developing YPO's capacity including the capability of its leadership and the individuals within it.

Principle 6: Managing risks and performance through robust internal control and strong public financial management.

Principle 7: Implementing good practice in transparency, reporting, and audit to deliver effective accountability.

3. Applying the Core Principles of Good Governance

The seven core principles each have a number of supporting principles, which in turn have a range of specific requirements that apply across YPO's activities:

Core Principle 1

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

Supporting Principles	YPO commits itself to:
Behaving with integrity.	Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.
	Ensuring 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 should build on the Seven Principles of Public Life (the Nolan Principles).
	Leading by example and using the above standard operating principles or values as a framework for decision making and other actions.
	Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.
Demonstrating strong commitment to ethical values.	Seeking to establish, monitor and maintain the organisation's ethical standards and performance.
	Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.
	Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.
	Ensuring 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.

Supporting Principles	YPO commits itself to:
Respecting the rule of law.	Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.
	Creating 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 requirements.
	Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.
	Dealing with breaches of legal and regulatory provisions effectively.
	Ensuring corruption and misuse of power are dealt with effectively.

Core Principle 2

Ensuring openness and comprehensive stakeholder engagement.

Supporting Principles	YPO commits itself to:
Openness.	Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.
	Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.
	Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.

Supporting Principles	YPO commits itself to:
	Using formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action.
Engaging comprehensively with institutional stakeholders	<p>Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.</p> <p>Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.</p> <p>Ensuring that partnerships are based on:</p> <ul style="list-style-type: none"> ○ 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.
Engaging with individual citizens and service users effectively.	<p>Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.</p> <p>Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement.</p> <p>Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.</p> <p>Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account.</p> <p>Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.</p> <p>Taking account of the impact of decisions on future generations of tax payers and service users.</p>

Core Principle 3

Defining outcomes in terms of sustainable economic, social, and environmental benefits.	
Supporting Principles	YPO commits itself to:
Defining outcomes	Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions.
	Specifying 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.
	Delivering defined outcomes on a sustainable basis within the resources that will be available.
	Identifying and managing risks to the achievement of outcomes.
	Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available.
Sustainable economic, social and environmental benefits.	Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision.
	Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints.
	Determining 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.
	Ensuring fair access to services.

Core Principle 4

Determining the interventions necessary to optimise the achievement of the intended outcomes.	
Supporting Principles	YPO commits itself to:
Determining interventions	Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided.
	Considering 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.
Planning interventions	Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.
	Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.
	Considering and monitoring risks facing each partner when working collaboratively, including shared risks.
	Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances.
	Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured.
	Ensuring capacity exists to generate the information required to review service quality regularly.

Supporting Principles	YPO commits itself to:
	Preparing budgets in accordance with objectives, strategies and the medium term financial plan.
	Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding Strategy.
Optimising achievement of intended outcomes.	Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.
	Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.
	Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.
	Ensuring the achievement of 'social value' through service planning and commissioning.

Core Principle 5

Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Supporting Principles	YPO commits itself to:
Developing the entity's capacity	Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness.
	Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently.
	Recognising the benefits of partnerships and collaborative working where added value can be achieved.
	Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.
Developing the capability of the entity's leadership and other individuals	Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.
	Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.
	Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads 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.
	Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:

Supporting Principles	YPO commits itself to:
	<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 organizational 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.
	Ensuring that there are structures in place to encourage public participation.
	Taking steps to consider the leadership’s own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.
	Holding staff to account through regular performance reviews which take account of training or development needs.
	Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.

Core Principle 6

Managing risks and performance through robust internal control and strong public financial management.

Supporting Principles	YPO commits itself to:
Managing risk	Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.
	Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.
	Ensuring that responsibilities for managing individual risks are clearly allocated.
Managing performance	Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.
	Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.
	Ensuring an effective scrutiny or oversight function is in place which provides 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 organization for which it is responsible (Or, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making.
	Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.

Supporting Principles	YPO commits itself to:
	Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements).
Robust internal control	Aligning the risk management strategy and policies on internal control with achieving objectives.
	Evaluating and monitoring risk management and internal control on a regular basis.
	Ensuring effective counter fraud and anti-corruption arrangements are in place.
	Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal Auditor.
	Ensuring an audit committee or equivalent group / function, which is independent of the executive and accountable to the governing body: — provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment — that its recommendations are listened to and acted upon.
Managing data	Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.
	Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.

Supporting Principles	YPO commits itself to:
	Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.
Strong public financial management	Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.
	Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.

Core Principle 7

Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Supporting Principles	YPO commits itself to:
Implementing good practice in transparency	Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.
	Striking 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.
Implementing good practices in reporting	Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way.
	Ensuring members and senior management own the results reported.
	Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including

Supporting Principles	YPO commits itself to:
	an action plan for improvement and evidence to demonstrate good governance (the annual governance statement).
	Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate.
	Ensuring 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.
Assurance and effective accountability	Ensuring that recommendations for corrective action made by external audit are acted upon.
	Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon.
	Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.
	Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.
	Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.

4. Annual Review and Reporting

- 4.1. Each year YPO will carry out a review of the effectiveness of its system of internal control and governance arrangements. The purpose of the review is to identify the extent to which YPO complies with this Code of Corporate Governance, to provide assurance that YPO's governance arrangements are adequate and operating effectively, or to identify action, which is planned to ensure effective governance in the future.
- 4.2 The outcome of the review will take the form of an Annual Governance Statement prepared on behalf of the Management Committee and Managing Director, in accordance with the CIPFA SOLACE 'Delivering Good Governance in Local Government: Framework 2016. The process of preparing the statement will itself add value to the effectiveness of the corporate governance and internal control framework.
- 4.3 The Annual Governance Statement will be submitted to the Audit Sub-Committee for consideration and review and will be published with YPO's annual Statement of Accounts.

Better value, delivered.



DRAFT

This page is intentionally left blank

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

The Annual Governance Statement (AGS) is a statement that YPO publishes with its annual financial accounts. Its compilation should follow a review of the effectiveness of its overall governance arrangements. As part of this process the Board complete a self-assessment questionnaire. If, in this review, any deficiencies are identified in governance arrangements, these may need to be detailed in the AGS with suitable improvement actions.

The assurance statements may be independently audited by Wakefield Internal Audit service. The external auditor also has a responsibility to review the adequacy of the process used to compile the AGS and will consider whether all relevant information has been included in the Statement, including whether all identified significant control weaknesses have been included.

It is important that Board establish that there is evidence to substantiate what they state in this questionnaire and equally, they identify any areas where internal control arrangements may be sufficiently weak to endanger the achievement of YPO's objectives.

The assessment as to the effectiveness of the current control arrangements in place should be carried out by reference to the under mentioned Key:

Key to Assessments

- 1 **Disagree Strongly** i.e. significant gaps or weaknesses exist (non-compliant) – Action should be identified to secure immediate improvement
- 2 **Disagree Slightly** i.e. some gaps or weaknesses exist (partially compliant) – Action should be identified to secure required improvement
3. **Agree Slightly** i.e. some minor gaps / weaknesses exist (mostly compliant) – generally strengths outweigh weaknesses – actions to improve to be detailed
- 4 **Agree strongly** i.e. very few / no gaps or weaknesses exist – fully compliant

The following questions have been designed, based on updated 2016 CIPFA / SOLACE guidance, to prompt consideration of the existence, adequacy and effectiveness of these and hence YPO's internal control arrangements. This questionnaire will ensure that there is a formal and annual review of internal control to meet the requirement to review the effectiveness of internal control arrangements and to facilitate the preparation and publishing of a public Annual Governance Statement.

It is important that the Board establish that there is evidence to substantiate what they state in this questionnaire and equally, they identify any areas where internal control arrangements may be sufficiently weak to endanger the achievement of YPO's objectives.

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

All questions should be answered providing an organisation based view with sufficient detail within the evidence / procedure and action required columns to explain the rationale behind each assessment score.

Based on their answers the Board should be able to complete the assurance statement highlighting where relevant, any areas where they regard the internal control arrangements within the organisation require improvement.

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

Core Principle 1

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

Supporting Principles	YPO commits itself to:	Expected Evidence	Assessment [1, 2, 3 or 4 see Key]	Gaps and Action required (Must be completed for scores 1-3 as a minimum)
Behaving with integrity.	Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.	<ul style="list-style-type: none"> ➤ Codes of conduct ➤ Individual sign off with regard to compliance with code ➤ Induction for new members and staff on standard of behaviour expected ➤ Performance appraisals ➤ Communicating shared values with members, staff, the community and partners 	4	The induction process is being reviewed. Consideration should be given about including a section on behavioural standards.
	Ensuring 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 should build on the Seven Principles of Public Life (the Nolan Principles).		4	The organisation has clearly defined values which are communicated well. The seven Nolan principles do appear to be in place – selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

	<p>Leading by example and using the above standard operating principles or values as a framework for decision making and other actions.</p>	<ul style="list-style-type: none"> ➤ Decision making practices ➤ Declarations of interests made at meetings ➤ Conduct at meetings ➤ Shared values guide decision making ➤ Develop and maintain an effective standards committee 	<p>4</p>	
--	---------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------	--

<p style="text-align: center;">Agenda Page 35</p>	<p>Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.</p>	<ul style="list-style-type: none"> ➤ Anti-fraud and corruption policies are working effectively ➤ Up-to-date register of interests (members and staff) ➤ Up-to-date register of gifts and hospitality ➤ Whistleblowing policies are in place and protect individuals raising concerns ➤ Whistleblowing policy has been made available to members of the public, employees, partners and contractors ➤ Complaints policy and examples of responding to complaints about behavior ➤ Changes/improvements as a result of complaints received and acted upon ➤ Members and officers code of conduct refers to a requirement to declare interests ➤ Minutes show declarations of interest were sought and appropriate declarations made 	<p>4</p>	
----------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------	--

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

<p>Demonstrating strong commitment to ethical values.</p>	<p>Seeking to establish, monitor and maintain the organisation's ethical standards and performance.</p>	<ul style="list-style-type: none"> ➤ Scrutiny of ethical decision making ➤ Championing ethical compliance at governing body level 	<p>4</p>	<p>Further consideration should be given to defining the ethical values of the organisation.</p>
<p>Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.</p>	<p>Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.</p>	<ul style="list-style-type: none"> ➤ Provision of ethical awareness training 	<p>3</p>	<p>The appraisal process does not involve a review of ethical behaviour.</p>
<p>Ensuring 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>	<p>Appraisal processes take account of values and ethical behavior</p>	<ul style="list-style-type: none"> ➤ Staff appointments policy ➤ Procurement policy ➤ Agreed values in partnership working: <ul style="list-style-type: none"> ○ Statement of business ethics communicates commitment to ethical values to external suppliers ○ Ethical values feature in contracts with external service providers ➤ Protocols for partnership working 	<p>4</p>	

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

Respecting the rule of law.	<p>Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.</p> <p>Creating 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 requirements.</p> <p>Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.</p> <p>Dealing with breaches of legal and regulatory provisions effectively.</p> <p>Ensuring corruption and misuse of power are dealt with effectively.</p>	<ul style="list-style-type: none"> ➤ Statutory provisions ➤ Statutory guidance is followed ➤ Constitution <ul style="list-style-type: none"> ➤ Job description/specification ➤ Compliance with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (CIPFA, 2015) ➤ Terms of reference ➤ Committee support ➤ Record of legal advice provided by officers <ul style="list-style-type: none"> ➤ Monitoring officer provisions ➤ Record of legal advice provided by officers ➤ Statutory provisions ➤ Effective anti-fraud and corruption policies and procedures ➤ Local test of assurance (where appropriate) 	4	
-----------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---	--

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

Core Principle 2

Ensuring openness and comprehensive stakeholder engagement.

Supporting Principles	YPO commits itself to:	Expected Evidence	Assessment [1, 2, 3 or 4 see Key]	Gaps and Action required (Must be completed for scores 1-3 as a minimum)
Openness.	Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.	<ul style="list-style-type: none"> ➤ Annual report ➤ Freedom of Information Act publication scheme ➤ Authority's goals and values ➤ Authority website ➤ Record of decision making and supporting materials 	4	
	Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.		4	

	<p>Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.</p>	<ul style="list-style-type: none"> ➤ Decision making protocols ➤ Report pro-formas ➤ Record of professional advice in reaching decisions ➤ Meeting reports show details of advice given ➤ Discussion between members and officers on the information needs of members to support decision making ➤ Agreement on the information that will be provided and timescales ➤ Calendar of dates for submitting, publishing and distributing timely reports is adhered to 	4	
<p>Engaging comprehensively with institutional stakeholders</p>	<p>Using formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action.</p> <p>Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.</p>	<ul style="list-style-type: none"> ➤ Community strategy ➤ Use of consultation feedback ➤ Citizen survey ➤ Communication strategy 	4	

<p>Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.</p>	<p>➤ Database of stakeholders with whom the authority should engage and for what purpose and a record of an assessment of the effectiveness of any changes</p>	<p>4</p>	<p>Need to revisit partnership protocols?</p>
<p>Ensuring that partnerships are based on:</p> <ul style="list-style-type: none"> ○ trust ○ a shared commitment to change <p>a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.</p>	<p>➤ Partnership framework ➤ Partnership protocols</p>	<p>3</p>	<p>Only partially applicable to YPO.</p>
<p>Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.</p>	<p>➤ Record of public consultations ➤ Partnership framework</p>	<p>4</p>	<p>Community engagement not applicable.</p>
<p>Engaging with individual citizens and service users effectively.</p>	<p>Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement.</p>	<p>➤ Communications strategy</p>	<p>N/A</p>

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

<p>Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.</p>	<p>➤ Communications strategy ➤ Joint strategic needs assessment</p>	<p>N/A</p>	<p>Not applicable to YPO.</p>
<p>Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account.</p>	<p>➤ Communications strategy</p>	<p>4</p>	<p>Only partially applicable to YPO.</p>
<p>Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.</p>	<p>➤ Processes for dealing with competing demands within the community, for example a consultation</p>	<p>N/A</p>	<p>Not applicable to YPO.</p>
<p>Taking account of the impact of decisions on future generations of tax payers and service users.</p>	<p>➤ Reports ➤ Joint strategic needs assessment</p>	<p>N/A</p>	<p>Not applicable to YPO.</p>

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

Core Principle 3

Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Supporting Principles	YPO commits itself to:	Expected Evidence	Assessment [1, 2, 3 or 4 see Key]	Gaps and Action required (Must be completed for scores 1-3 as a minimum)
Defining outcomes	Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions.	<ul style="list-style-type: none"> ➤ Vision used as a basis for corporate and service planning 	4	
	Specifying 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.	<ul style="list-style-type: none"> ➤ Community engagement and involvement ➤ Corporate and service plans ➤ Community strategy 	4	Only partially applicable to YPO.
	Delivering defined outcomes on a sustainable basis within the resources that will be available.	<ul style="list-style-type: none"> ➤ Regular reports on progress 	4	
	Identifying and managing risks to the achievement of outcomes.	<ul style="list-style-type: none"> ➤ Performance trends are established and reported upon ➤ Risk management protocols 	4	

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

	<p>Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available</p>	<ul style="list-style-type: none"> ➤ An agreed set of quality standard measures for each service element and included in service plans ➤ Processes for dealing with competing demands within the community 	4	<p>Only partially applicable to YPO.</p>
<p>Sustainable economic, social and environmental benefits.</p>	<p>Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision.</p>	<ul style="list-style-type: none"> ➤ Capital investment is structured to achieve appropriate life spans and adaptability for future use or that resources (eg land) are spent on optimising social, economic and environmental wellbeing: <ul style="list-style-type: none"> ○ Capital programme ○ Capital investment strategy 	N/A	
	<p>Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints.</p>	<ul style="list-style-type: none"> ➤ Discussion between members and officers on the information needs of members to support decision making ➤ Record of decision making and supporting materials 	4	

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

	<p>Determining 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.</p> <p>Ensuring fair access to services.</p>	<ul style="list-style-type: none"> ➤ Record of decision making and supporting materials ➤ Protocols for consultation ➤ Protocols ensure fair access and statutory guidance is followed 	<p>4</p>	<p>Not applicable to YPO.</p>
--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------	--------------------------------------

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

Core Principle 4

Determining the interventions necessary to optimise the achievement of the intended outcomes.

Supporting Principles	YPO commits itself to:	Expected Evidence	Assessment [1, 2, 3 or 4 see Key]	Gaps and Action required (Must be completed for scores 1-3 as a minimum)
Determining interventions	Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided	<ul style="list-style-type: none"> ➤ Discussion between members and officers on the information needs of members to support decision making ➤ Decision making protocols ➤ Option appraisals ➤ Agreement of information that will be provided and timescales 	4	
	Considering 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.	<ul style="list-style-type: none"> ➤ Financial strategy 	N/A	Not applicable to YPO.

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

Planning interventions	Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.	<ul style="list-style-type: none"> ➤ Calendar of dates for developing and submitting plans and reports that are adhered to ➤ Communication strategy ➤ Partnership framework ➤ Risk management protocol ➤ Planning protocols 	4	<p>Only partially applicable to YPO.</p>
Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.	Considering and monitoring risks facing each partner when working collaboratively, including shared risks.		4	
Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances.	Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured.	<ul style="list-style-type: none"> ➤ KPIs have been established and approved for each service element and included in the service plan and are reported upon regularly 	3	<p>More work is required in terms of key KPI's. They do not appear to exist in some parts of the business.</p>
	Ensuring capacity exists to generate the information required to review service quality regularly.	<ul style="list-style-type: none"> ➤ Reports include detailed performance results and highlight areas where corrective action is necessary 	4	

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

	<p>Preparing budgets in accordance with objectives, strategies and the medium term financial plan.</p> <p>Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding Strategy.</p>	<ul style="list-style-type: none"> ➤ Evidence that budgets, plans and objectives are aligned ➤ Budget guidance and protocols ➤ Medium term financial plan ➤ Corporate plans 	<p>4</p> <p>3</p>	<p>Medium term financial planning beginning to emerge.</p>
<p>Optimising achievement of intended outcomes.</p>	<p>Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.</p> <p>Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.</p>	<ul style="list-style-type: none"> ➤ Feedback surveys and exit/decommissioning strategies ➤ Changes as a result ➤ Budgeting guidance and protocols 	<p>4</p>	<p>Only partially applicable to YPO.</p>
	<p>Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.</p>	<ul style="list-style-type: none"> ➤ Financial strategy 	<p>3</p>	<p>Medium term financial planning beginning to emerge.</p>

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

	<p>Ensuring the achievement of 'social value' through service planning and commissioning.</p>	<ul style="list-style-type: none"> ➤ Service plans demonstrate consideration of 'social value' ➤ Achievement of 'social value' is monitored and reported upon 	<p>4</p>	
--	-----------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------	--

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

Core Principle 5

Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Supporting Principles	YPO commits itself to:	Expected Evidence	Assessment [1, 2, 3 or 4 see Key]	Gaps and Action required (Must be completed for scores 1-3 as a minimum)
Developing the entity's capacity	Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness.	<ul style="list-style-type: none"> ➤ Regular reviews of activities, outputs and planned outcomes 	4	
	Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently.	<ul style="list-style-type: none"> ➤ Utilisation of research and benchmarking exercise 	4	
	Recognising the benefits of partnerships and collaborative working where added value can be achieved.	<ul style="list-style-type: none"> ➤ Effective operation of partnerships which deliver agreed outcomes 	4	
	Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.	<ul style="list-style-type: none"> ➤ Workforce plan ➤ Organisational development plan 	4	

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

<p>Developing the capability of the entity's leadership and other individuals</p>	<p>Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.</p> <p>Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.</p> <p>Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads 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.</p>	<p>➤ Job descriptions</p> <p>➤ Chief executive and leader pairings have considered how best to establish and maintain effective communication</p> <p>➤ Scheme of delegation reviewed at least annually in the light of legal and organisational changes</p> <p>➤ Standing orders and financial regulations which are reviewed on a regular basis</p> <p>➤ Clear statement of respective roles and responsibilities and how they will be put into practice</p>	<p align="center">4</p> <p align="center">4</p>	
-----------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------	--

<p>Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:</p> <ul style="list-style-type: none"> — ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organizational 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"> ➤ Access to update courses/ information briefings on new legislation ➤ Induction programme ➤ Personal development plans for members and officers ➤ For example, for members this may include the ability to: <ul style="list-style-type: none"> ○ scrutinise and challenge ○ recognise when outside expert advice is required ○ promote trust ○ work in partnership ○ lead the organization ○ act as a community leader ➤ Efficient systems and technology used for effective support ➤ Arrangements for succession planning 	<p>4</p>	
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------	--

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

<p>Ensuring that there are structures in place to encourage public participation.</p>	<ul style="list-style-type: none"> ➤ Residents' panels ➤ Stakeholder forum terms of reference ➤ Strategic partnership frameworks 	<p>N/A</p>	<p>Not applicable to YPO.</p>
<p>Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.</p>	<ul style="list-style-type: none"> ➤ Reviewing individual member performance on a regular basis taking account of their attendance and considering any training or development needs ➤ Peer reviews 	<p>4</p>	
<p>Holding staff to account through regular performance reviews which take account of training or development needs.</p>	<ul style="list-style-type: none"> ➤ Training and development plan ➤ Staff development plans linked to appraisals ➤ Implementing appropriate human resource policies and ensuring that they are working effectively 	<p>4</p>	
<p>Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.</p>	<ul style="list-style-type: none"> ➤ Human resource policies 	<p>4</p>	

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

Core Principle 6

Managing risks and performance through robust internal control and strong public financial management.

Supporting Principles	YPO commits itself to:	Expected Evidence	Assessment [1, 2, 3 or 4 see Key]	Gaps and Action required (Must be completed for scores 1-3 as a minimum)
Managing risk	Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making. Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.	<ul style="list-style-type: none"> ➤ Risk management protocol ➤ Risk management strategy/ policy formally approved and adopted and reviewed and updated on a regular basis 	4	
	Ensuring that responsibilities for managing individual risks are clearly allocated.	<ul style="list-style-type: none"> ➤ Risk management protocol 	4	

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

Managing performance	<p>Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.</p>	<ul style="list-style-type: none"> ➤ Performance map showing all key activities have performance measures ➤ Benchmarking information ➤ Cost performance (using inputs and outputs) ➤ Calendar of dates for submitting, publishing and distributing timely reports that are adhered to 	4	
<p>Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.</p>	<ul style="list-style-type: none"> ➤ Discussion between members and officers on the information needs of members to support decision making ➤ Publication of agendas and minutes of meetings ➤ Agreement on the information that will be needed and timescales 	4		

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

	<p>Ensuring an effective scrutiny or oversight function is in place which provides 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 organization for which it is responsible (Or, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making.</p>	<ul style="list-style-type: none"> ➤ The role and responsibility for scrutiny has been established and is clear ➤ Agenda and minutes of scrutiny meetings ➤ Evidence of improvements as a result of scrutiny ➤ Terms of reference ➤ Training for members ➤ Membership 	4	
	<p>Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</p>	<ul style="list-style-type: none"> ➤ Calendar of dates for submitting, publishing and distributing timely reports that are adhered to 	4	
	<p>Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)</p>	<ul style="list-style-type: none"> ➤ Financial standards, guidance ➤ Financial regulations and standing orders 	4	
Robust internal control	<p>Aligning the risk management strategy and policies on internal control with achieving objectives.</p>	<ul style="list-style-type: none"> ➤ Risk management strategy ➤ Audit plan ➤ Audit reports 	4	

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

<p>Evaluating and monitoring risk management and internal control on a regular basis.</p>	<p>➤ Risk management strategy / policy has been formally approved and adopted and is reviewed and updated on a regular basis</p>	<p>4</p>		
<p>Ensuring effective counter fraud and anti-corruption arrangements are in place.</p>	<p>➤ Compliance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)</p>	<p>4</p>		
<p>Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal Auditor.</p>	<p>➤ Annual governance statement ➤ Effective internal audit service is resourced and maintained</p>	<p>4</p>		
<p>Ensuring an audit committee or equivalent group / function, which is independent of the executive and accountable to the governing body: — provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment — that its recommendations are listened to and acted upon</p>	<p>➤ Audit committee complies with best practice. See Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013) ➤ Terms of reference ➤ Membership ➤ Training</p>	<p>4</p>		

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

Managing data	Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	<ul style="list-style-type: none"> ➤ Data management framework and procedures ➤ Designated data protection officer ➤ Data protection policies and procedures 	4	
Strong public financial management	Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.	<ul style="list-style-type: none"> ➤ Data sharing agreement ➤ Data sharing register ➤ Data processing agreements 	4	
	Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.	<ul style="list-style-type: none"> ➤ Data quality procedures and reports ➤ Data validation procedures 	4	
	Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.	<ul style="list-style-type: none"> ➤ Financial management supports the delivery of services and transformational change as well as securing good stewardship 	4	
	Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.	<ul style="list-style-type: none"> ➤ Budget monitoring reports 	4	

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

Core Principle 7

Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Supporting Principles	YPO commits itself to:	Expected Evidence	Assessment [1, 2, 3 or 4 see Key]	Gaps and Action required (Must be completed for scores 1-3 as a minimum)
Implementing good practice in transparency	Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.	<ul style="list-style-type: none"> ➤ Website ➤ Annual report 	4	
Implementing good practices in reporting	Striking 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.	<ul style="list-style-type: none"> ➤ Website ➤ Annual report 	4	
Implementing good practices in reporting	Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way.	<ul style="list-style-type: none"> ➤ Formal annual report which includes key points raised by external scrutineers and service users' feedback on service delivery ➤ Annual financial statements 	4	

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

<p>Ensuring members and senior management own the results reported.</p>	<p>➤ Appropriate approvals</p>	<p>4</p>		
<p>Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement).</p>	<p>➤ Annual governance statement</p>	<p>4</p>		
<p>Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate.</p>	<p>➤ Annual governance statement</p>	<p>4</p>		
<p>Ensuring 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>	<p>➤ Format follows best practice</p>	<p>4</p>		

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

Assurance and effective accountability	Ensuring that recommendations for corrective action made by external audit are acted upon	<ul style="list-style-type: none"> ➤ Recommendations have informed positive improvement ➤ Compliance with CIPFA's Statement on the Role of the Head of Internal Audit (2010) ➤ Compliance with Public Sector Internal Audit Standards 	4	
	Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon.	<ul style="list-style-type: none"> ➤ Recommendations have informed positive improvement ➤ Compliance with CIPFA's Statement on the Role of the Head of Internal Audit (2010) ➤ Compliance with Public Sector Internal Audit Standards 	4	
	Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.	<ul style="list-style-type: none"> ➤ Recommendations have informed positive improvement 	4	Only partially applicable to YPO.
	Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.	<ul style="list-style-type: none"> ➤ Annual governance statement 	4	

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016

	Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.	➤ Community strategy	N/A	Not applicable to YPO.
--	----------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------	-----	------------------------

ASSURANCE STATEMENTS – ANNUAL SELF ASSESSMENT – CODE OF CORPORATE GOVERNANCE - 2016



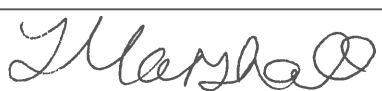

Appendix A

KEY CONTROL ASSURANCE FOR THE ANNUAL GOVERNANCE STATEMENT 2016

1. I am aware that, as a member of the YPO Board, I am required to provide assurance on the adequacy and effectiveness of internal control within the organisation to enable the Annual Governance Statement to be prepared and published for the annual accounts for 2016.
2. To assist in that process, I can confirm that I have considered the standard of internal control within the organisation, including completion of an Internal Control Assurance Questionnaire.

Having done that I would draw your attention to the matters raised in the column headed 'Gaps and Action Required' in the Internal Control Assurance Statement for 2016 which you may wish to consider in preparing the assurance statement.

Apart from those areas detailed in the Internal Control Assurance Statement, I can confirm that controls in the organisation have been, and are, working well. There are, in my opinion, no other significant matters arising which would require to be raised specifically in the assurance statement

Name	Position	Signature	Date
Simon Hill	Managing Director		10-1-17
Paul Smith	Executive Director, Finance, IT and Procurement		10/1/17
Jo Marshall	Executive Director, Commercial		10/1/17
Julie Wray	Assistant Director HR & Logistics		10/1/17

This page is intentionally left blank

Better value, delivered.



**ANNUAL
GOVERNANCE
STATEMENT 2016 -
DRAFT**

DOCUMENT CONTROL PAGE

Document Type		
Document Ownership		
Title of Document		
Status		
Reference number		
Controlled by		
Created/ reviewed by / date:		
Agreed by / date:		
Checked for compliance with contract standing orders and financial procedures / date:		
Agreed with Unison / date:		
Maintained by		
Publication date		
Next Review date		
Current Version		
Distribution		
Replaces document		

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

YPO ANNUAL GOVERNANCE STATEMENT 2016

1. INTRODUCTION

1.1. To deliver good governance at YPO, YPO's member authorities and the individuals working for YPO must try to achieve YPO's objectives whilst acting in the public interest at all time. Acting in the public interest implies primary consideration of the benefit for society, which should result in positive outcomes for YPO's stakeholders. YPO is responsible for ensuring that there is a sound system of governance incorporating systems of internal control so that the intended outcomes for YPO's stakeholders are defined and achieved.

1.2. YPO has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government 2016. A copy of YPO's Code is on our website at www.ypo.co.uk. This Annual Governance Statement explains how YPO has complied with the Code.

1.3. The seven core governance principles of YPO are:

Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Principle 2: Ensuring openness and comprehensive stakeholder engagement.

Principle 3: Defining outcomes in terms of sustainable economic, social and environmental benefits.

Principle 4: Determining the interventions necessary to optimise the achievement of the intended outcomes.

Principle 5: Developing YPO's capacity including the capability of its leadership and the individuals within it.

Principle 6: Managing risks and performance through robust internal control and strong public financial management.

Principle 7: Implementing good practice in transparency, reporting, and audit to deliver effective accountability.

2. 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.



3. THE PRINCIPLES IN ACTION AT YPO

YPO has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government 2016. This code contains seven core principles. This section demonstrates how we meet these principles and includes links to further information on our website at www.ypo.co.uk.

Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.		
How YPO Meets this Principle	Where to find further Information	Areas for Improvement
<p>The organisation 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> <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</p>	<p>Committee Meeting Minutes and Agendas</p> <p>Policies and Procedures</p> <p>Fighting Fraud and Bribery</p>	<p>Further consideration will be given to defining the ethical values of the organisation and including an assessment of the performance of these ethical values in the appraisal process.</p>

Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

How YPO Meets this Principle	Where to find further Information	Areas for Improvement
<p>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> <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. As required by the Modern Slavery Act 2015 YPO is committed to publishing a Slavery and Human Trafficking Statement by 30th June 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>		

Principle 2: Ensuring openness and comprehensive stakeholder engagement.

How YPO Meets this Principle	Where to find further Information	Areas for Improvement
<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> <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>	<p>Suppliers to YPO</p> <p>Frequently Asked Questions</p> <p>Access to Information and Transparency</p> <p>Committee Meeting Minutes and Agendas</p> <p>Financial Statements and Audit Reports</p>	<p>The organisation will review its partnership protocols.</p>

Principle 3: Defining outcomes in terms of sustainable economic, social and environmental benefits.

How YPO Meets this Principle	Where to find further Information	Areas for Improvement
<p>The purpose and vision for YPO is set out in our three year strategy 2015 – 2017 ‘Forward Thinking, Outward Looking’ 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:</p> <p>“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> <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</p>	<p>Financial Statements and Audit Reports</p> <p>Policies and Procedures</p> <p>Partnerships</p>	

Principle 3: Defining outcomes in terms of sustainable economic, social and environmental benefits.

How YPO Meets this Principle	Where to find further Information	Areas for Improvement
<p>implementing the appropriate actions, maintenance of the Organisation’s risk registers and regular review of risks. 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 Project SEED 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>		

Principle 4: Determining the interventions necessary to optimise the achievement of the intended outcomes.

How YPO Meets this Principle	Where to find further Information	Areas for Improvement
<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> <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>Governance Structure</p> <p>Committee Meeting Minutes and Agendas</p>	<p>More work is required to make improve medium term financial planning and make informative key performance indicators available across the business.</p>

Principle 5: Developing YPO's capacity including the capability of its leadership and the individuals within it.

How YPO Meets this Principle	Where to find further Information	Areas for Improvement
<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> <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</p> <p>Careers at YPO</p>	

Principle 6: Managing risks and performance through robust internal control and strong public financial management.

How YPO Meets this Principle	Where to find further Information	Areas for Improvement
<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> <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 risk registers and regular review of risks. The approach is responsive to new and emerging areas of risk.</p>	<p>Policies and Procedures</p> <p>Committee Meeting Minutes and Agendas</p> <p>Financial Statements and Audit Reports</p>	

Principle 6: Managing risks and performance through robust internal control and strong public financial management.

How YPO Meets this Principle	Where to find further Information	Areas for Improvement
<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> <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> <p>YPO produce an annual business plan, monthly performance report and budget holder meetings.</p>		

Principle 7: Implementing good practice in transparency, reporting, and audit to deliver effective accountability.

How YPO Meets this Principle	Where to find further Information	Areas for Improvement
<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> <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>Committee Meeting Minutes and Agendas</p> <p>Financial Statements and Audit Reports</p> <p>Access to Information and Transparency</p>	

4. REVIEW OF EFFECTIVENESS

YPO conducts, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the organisation who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates. Maintaining and reviewing the effectiveness of the system of governance at YPO in 2016 was achieved through the following:

Wakefield Council's Internal Audit team is responsible for providing an independent and objective opinion on the control environment within YPO. Their audit plan and subsequent findings are reported to the Directors of YPO, the Management Committee and the Audit Sub-Committee.

Wakefield Council Internal Audit's overall opinion on the systems of internal control at YPO during 2016 is as follows:

"From the work undertaken by Internal Audit during 2016, key controls were found to be in place to manage associated risks to the required level, with no significant errors, losses or omissions identified. Senior management has continued to strengthen overall governance arrangements throughout the year, including implementing audit recommendations to improve any 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 2016 AGS"

In addition to reviews of effectiveness by Wakefield Council's Internal Audit, YPO is also subject to an annual review by external auditors. YPO's external auditors are KPMG.

In 2016 KPMG issued an unqualified opinion on YPO's 2015 Financial Statements. They also confirmed there were 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' published by CIPFA/SOLACE in June 2007.

As part of the review of overall effectiveness, in December 2016 the Board of Directors for YPO completed a self-assessment questionnaire and assurance statement to identify any deficiencies in governance arrangements so that these if identified could be included in the Annual Governance Statement along with suitable improvement actions.

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 in Section 3 above.

5.0 SIGNIFICANT GOVERNANCE ISSUES

In considering the significant internal control issues contained within the 2015 Annual Governance Statement the following enhancements have been made during 2016.

Key Improvement Area	Core Principle	Supporting Principle	Lead Officer	Update on Position	Carry Forward for 2016
More work is required to fully embed previous work for ISO14001 (Environmental Management) into policies and decisions.	Focusing on the purpose of the Joint Committee and on outcomes for our customers and stakeholders and creating and implementing a vision for the Joint Committee.	Ensuring that YPO makes best use of resources and that investment in YPO gives excellent value for money.	Assistant Director, HR & Logistics	YPO now has in place environmental objectives that are agreed at and reviewed by Board	No

5.2 This Annual Governance Statement and supporting documentation provides evidence of improvements in YPO’s governance arrangements in 2016. Following completion of Assurance Statements by the Board of Directors, it is acknowledged that in 2016 and beyond there are improvements to be made to further enhance the existing governance environment in the areas recorded above.

5.3 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

Simon Hill, Managing Director YPO

ANNUAL GOVERNANCE STATEMENT 2016 ACTION PLAN

ACTION	LEAD OFFICER	TARGET DATE
Further consideration will be given to defining the ethical values of the organisation and including an assessment of the performance of these ethical values in the appraisal process.	Assistant Director, HR & Logistics	30 th June 2017
The organisation will review its partnership protocols.	Strategic Partnerships and Relationship Manager	30 th June 2017
More work is required to make improve medium term financial planning and make informative key performance indicators available across the business.	Senior Leadership Team	30 th June 2017

Better value, delivered.





YPO
AUDIT SUB-COMMITTEE
TO BE HELD ON
10TH FEBRUARY 2017

TITLE: EXTERNAL AUDIT PLAN

REPORT OF: FINANCIAL CONTROLLER

1. PURPOSE OF REPORT

1.1 To present to Members the 2016 External Audit Plan.

2. BACKGROUND INFORMATION

2.1 Attached at Appendix A is the external audit plan, prepared by KPMG, for the 2016 financial year.

2.2 The plan sets out the audit approach to be undertaken by our external auditors and the impact of key financial statement risk areas.

2.3 The plan also details the audit deliverables and timeline, along with confirming the audit fees which are a reduction from previous years.

3 STRATEGIC IMPLICATIONS

3.1 There are no strategic implications for this report.

4 FINANCIAL IMPLICATIONS

4.1 The financial implications are as specified above.

5 LEGAL IMPLICATIONS

5.1 It is not a mandatory requirement of YPO to have an external audit as per the Accounts and Audit Regulations 2015. However, it has been agreed by our Management Committee that we will prepare, each year, a statement of accounts in accordance with the C.I.P.F.A Code of Practice which will be subject to a non-statutory external audit.

6 EQUALITY IMPLICATIONS

6.1 This report does not have any impact on Equality and Diversity.

7 RISK IMPLICATIONS

7.1 The validity and accuracy of the statement of accounts are at risk if the audit plan is

not adhered to and an unqualified opinion not received.

8 RECOMMENDATION

8.1 That members note and comment on the audit plan.

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

APPENDIX:

Appendix 1 – External Audit plan 2016



cutting through complexity

Yorkshire Purchasing Organisation

Audit planning memorandum

Year ending 31 December 2016

	Page	Basis on which information is provided
Introduction and audit approach	2	To a certain extent the content of this memorandum comprises general information that has been provided by, or is based on discussions with, YPO management. The information in this document has not been verified except to the extent required for the purpose of our audit.
Executive Summary	3	
Significant risks and focus areas	4	This document is provided on the basis that it is for your information only, that it will not be quoted or referred to without our prior written consent, and that we accept no responsibility to any third party in relation to it.
Materiality	5	
Value for money	6	
Audit timeline	7	
Fraud	8	
Team structure	9	
Audit fees	10	
Appendices:		
1. Mandated Communications with the Audit Committee	12	
2. Auditor independence	13	
3. Quality control procedures	14	

YOUR KPMG CONTACTS



Rashpal Khangura

Director

Tel: 0113 231 3396

rashpal.khangura@kpmg.co.uk



Elizabeth Wharton

Manager

Tel: 0113 231 3538

elizabeth.wharton@kpmg.co.uk



Matthew Moore

Assistant Manager

Tel: 0113 231 3669

matthew.moore@kpmg.co.uk

PURPOSE OF THIS REPORT

This document has been prepared for presentation to the YPO Audit Committee.

It sets out our proposed approach to the non statutory audit of the financial statements of YPO for the year ending 31 December 2016.

In particular, this paper:

- describes our overall strategy and scoping;
- our approach to materiality; and
- identifies the significant risks and areas of focus to be addressed by our audit.

We have also included details of the timeline of our audit, key members of our audit team and set out the framework for the agreement of audit fees.

In addition, this document addresses the provisions of International Standard on Auditing (UK and Ireland) ('ISA') 260 – 'Communication of audit matters with those charged with governance' (see Appendix 1 for a summary of mandated communications with the Audit Committee).

THE PURPOSE OF OUR NON STATUTORY AUDIT

The purpose of our audit

The main purpose of our non statutory audit, which is carried out in accordance with International Standards on Auditing (ISAs) issued by the Auditing Practices Board, is to issue a report to YPO which expresses our opinion on whether the financial statements:

- give a true and fair view of the state of the Yorkshire Purchasing Organisation's affairs as at 31 December 2016 and of its surplus for the year then ended; and

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

OUR RESPONSIBILITIES AS AUDITOR

Our responsibilities as auditor

In relation to the non statutory audit we will provide an independent audit opinion in accordance with ISA (UK and Ireland) on YPO's financial statements for the year ending 31 December 2016. Our procedures are not designed to detect or disclose errors or irregularities which are not material in relation to YPO's financial statements.

To a certain extent, the contents of this report include general information which has been prepared by, or is based on discussions with, management. Except to the extent necessary for the purposes of our engagement, this information has not been independently verified.



AUDIT RISKS

The key areas of our focus will be around the following areas:

- Revenue recognition, including fraud risk; and
- Risk of management override of controls

We will also consider stock write-offs and obsolete stock as an area of focus.

We will continue to scrutinise any unusual accounting transactions which materially impact the financial statements.

Page 4



FOCUS ON YOUR ACCOUNTS

YPO is producing non-statutory accounts for the first time for 2016 and has chosen to apply the financial reporting framework of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We have been working with management to ensure that the impact of the change to producing non-statutory accounts is understood and that the required disclosures are included in the financial statements.

TIMELINE, APPROACH AND DELIVERABLES

The timeline and approach is similar to the prior year.

Our interim audit will take place in January 2017, with the final audit taking place in March 2017.

Page 7



MATERIALITY

The basis of setting materiality has remained consistent, using revenue as a benchmark.

Materiality has been set at £2 million.

KPMG will report all individual errors in excess of £100,000.

Page 5



VALUE FOR MONEY

We will use the NAO Code of Audit Practice, published April 2015, to inform our assessment of YPO's value for money arrangements.

We will report the outcomes of our assessment to the Audit Committee alongside our report on YPO's financial statements.

Page 6

INDEPENDENCE

In accordance with ISA 260 'Communication of audit matters with those charged with governance' and the APB Ethical Standards, we are required to communicate to you all relationships between KPMG and YPO that may be reasonably thought to have bearing on our independence both:

- At the planning stage; and
- Whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.

KPMG conforms to the highest governance standards at all times and we will ensure that any additional services are approved by the Board as part of agreeing any engagement to ensure transparency in our relationship.

Page 13 contains our confirmation of independence and any other matters relevant to our independence.

Significant risk	What is the risk?	How is the risk addressed through our audit?
Fraud risk from revenue recognition	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>We have not identified any indications of fraudulent financial reporting but the nature of YPO's business means that we are unable to rebut this presumption.</p>	<p>We will consider the incentives and opportunities to misstate revenue and focus our testing in these areas.</p> <p>We will carry out appropriate controls testing and substantive procedures to address the risk. This includes:</p> <ul style="list-style-type: none"> • Attendance at stocktakes • Testing of the bad debt provision and aged debt disclosures • Testing a sample of contract rebates to supporting evidence
Risk of management override of controls	<p>Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We have not identified any specific additional risks of management override relating to this audit.</p>	<p>Our audit methodology incorporates the risk of management override as a default significant risk.</p> <p>In line with our methodology, we will carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside YPO's normal course of business, or are otherwise unusual.</p>
Other areas of audit focus	What is the risk?	How is the risk addressed through our audit?
Stock write-offs and obsolete stock	<p>YPO's stock balance at 31 December 2016 was £12.5m and the stock system drives many of the significant entries in the accounts including turnover and cost of sales. We have identified two specific risks to the existence and valuation of the stock balance:</p> <ul style="list-style-type: none"> • Items in stock but obsolete • Items included in stock records but missing from the warehouse <p>There is a risk that YPO does not have systems and processes in place to identify obsolete stock items with a value below purchase price and that require an impairment.</p> <p>There is a risk that YPO does not have a clear picture of the value of stock recorded on the stock system but not available for sale to customers.</p> <p>In both cases the impact on the accounts is an overstatement of the stock balance and an understatement of costs.</p>	<ul style="list-style-type: none"> ■ We will discuss with management the processes in place to identify and impair obsolete stock. ■ We will walkthrough the process to test the effectiveness of the design and implementation of controls in mitigating the risk of unimpaired obsolete stock. ■ We will discuss with management the processes in place to identify stock discrepancies. ■ We have attended the food stocktake in 2016. ■ We will trace all stock adjustments through to the financial statements.

Our materiality level, set at £2m, represents the level at which we think misstatements will reasonably influence users of YPO's financial statements.

Our audit work is planned to detect errors that are material to the accounts as a whole

Determining materiality

We consider quantitative and qualitative factors in setting materiality and in designing our audit procedures

Materiality has been calculated based on revenue for the period in the forecast results for the year per the August management accounts.

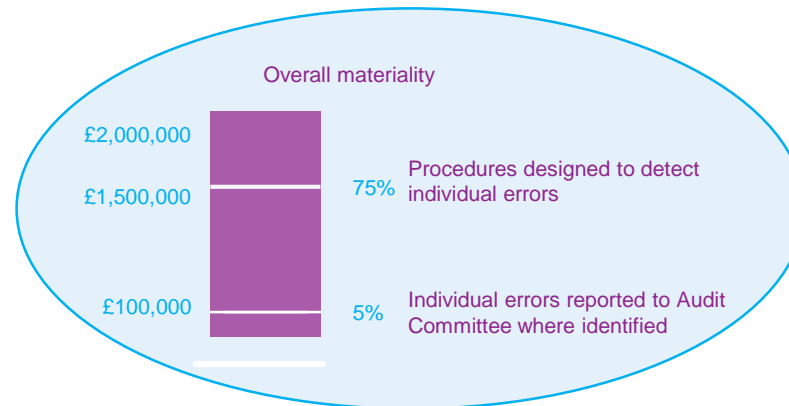
Materiality has been set at £2m which is 1.7% of forecast revenue. This is below the 2015 level of 2% in order to reflect changes to risks in the sector and the fact that YPO are producing non-statutory accounts for the first time. This will be revisited at the year end audit to ensure it remains appropriate.

We design our procedures to detect errors at a lower level of precision, i.e. £1.5m, and we have some flexibility to adjust this level downwards for items such as judgemental items.

We will report identified errors greater than £100,000 to the Audit Committee.

To comply with auditing standards, if applicable, the following three types of audit differences will be presented to the Audit Committee:

- adjusted audit differences
- unadjusted audit differences
- disclosure differences (adjusted and unadjusted)



Our approach to VFM work follows guidance provided by the NAO.

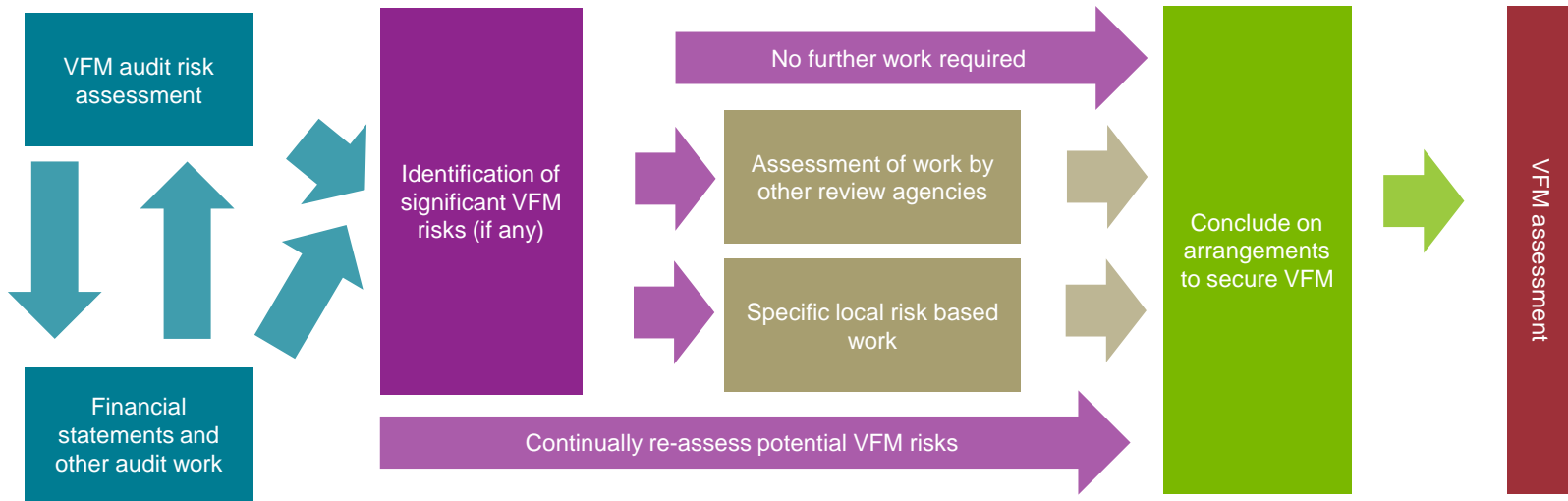
Background to approach to VFM work.

We will use the NAO Code of Audit Practice, published April 2015, to inform our assessment of YPO's value for money arrangements. This requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The process is shown in the diagram below and is based on a single criterion supported by three sub-criteria. These sub-criteria provide a focus to our VFM work at the Joint Committee. The diagram to the right shows the details of these criteria.

We will report the outcomes of our assessment to the Audit Committee alongside our report on the financial statements.

Overall criterion
In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.



AUDIT OVERVIEW

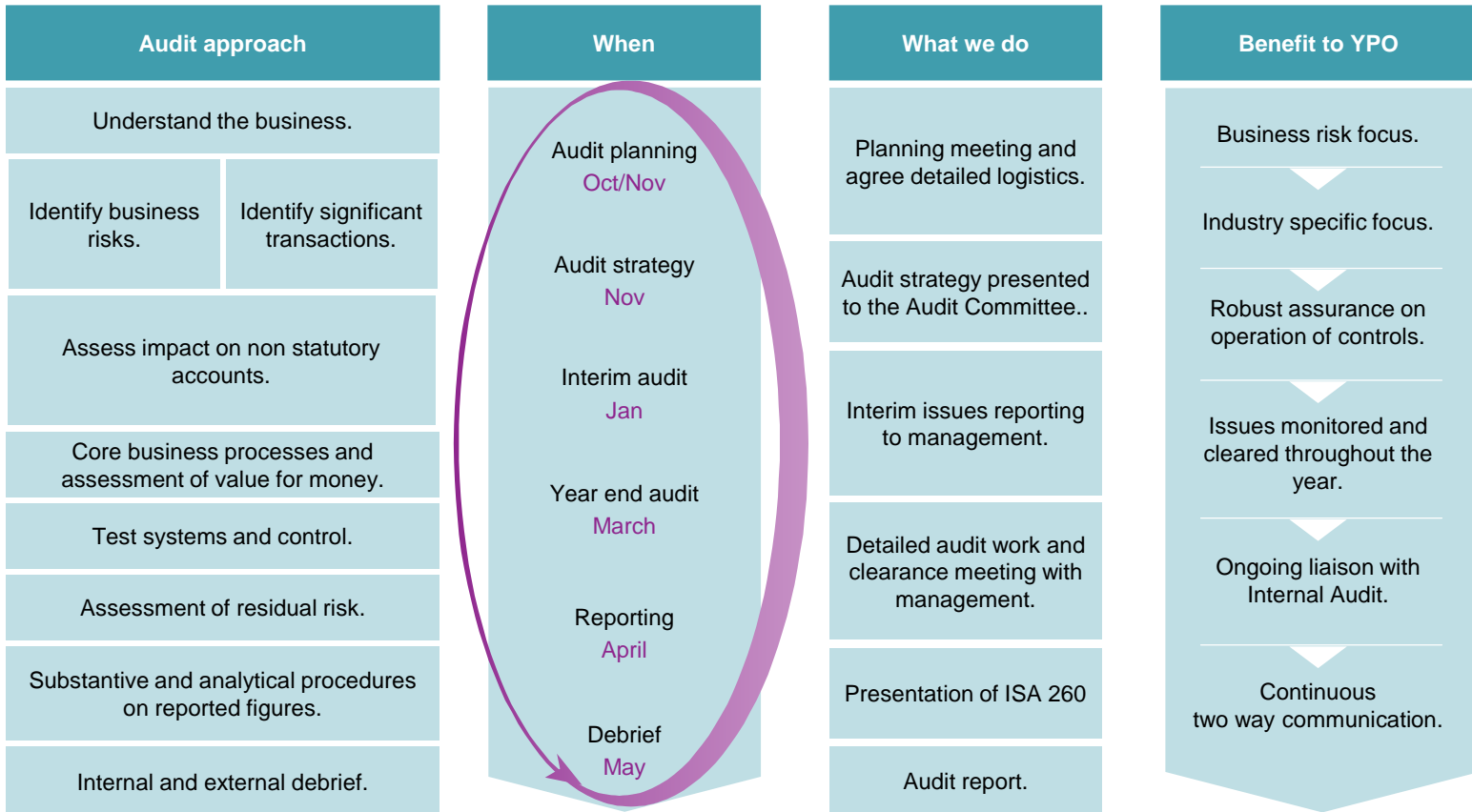
PLANNED AUDIT TIMELINE

We use a risk based audit approach to identify the key risks affecting YPO.

This will be based on our sector experience and our planning meetings with the YPO management. Our audit work will therefore focus on your key risk areas.

Overview

Our approach to the non statutory audit is based on understanding and assessing YPO's structures and processes for decision-making, accountability, control and behaviours and weaknesses and identifying those risks that can affect the financial statements. We then carry out audit procedures to address any identified risks and weaknesses. We assess where the greatest risk of misstatement exists and how effective internal controls are at mitigating these risks.



AUDIT OVERVIEW

RESPONSIBILITY IN RELATION TO FRAUD

We are required to consider fraud and the impact that this has on our audit approach.

We will update our risk assessment throughout the audit process and adapt our approach accordingly.

Management responsibilities	KPMG's identification of fraud risk factors	KPMG's response to identified fraud risk factors	KPMG's identified fraud risk factors
<ul style="list-style-type: none"> ■ Adopt sound accounting policies. ■ With oversight from those charged with governance, establish and maintain internal control, including controls to prevent, deter and detect fraud. ■ Establish proper tone/culture/ethics. ■ Require periodic confirmation by employees of their responsibilities. ■ Take appropriate action in response to actual, suspected or alleged fraud. ■ Disclose to Audit Committee and auditors: <ul style="list-style-type: none"> – any significant deficiencies in internal controls. – any fraud involving those with a significant role in internal controls. 	<ul style="list-style-type: none"> ■ Review of accounting policies. ■ Results of analytical procedures. ■ Procedures to identify fraud risk factors. ■ Discussion amongst engagement personnel. ■ Enquiries of management, Audit Committee, and others. ■ Evaluate broad programmes and controls that prevent, deter, and detect fraud. 	<ul style="list-style-type: none"> ■ Accounting policy assessment. ■ Evaluate design of mitigating controls. ■ Test effectiveness of controls. ■ Address management override of controls. ■ Perform substantive audit procedures. ■ Evaluate all audit evidence. ■ Communicate to Audit Committee and management. 	<ul style="list-style-type: none"> ■ Whilst we consider the risk of fraud to be low around the Organisation, we will monitor the following areas throughout the year and adapt our audit approach accordingly. <ul style="list-style-type: none"> – Revenue recognition – Purchasing income – Management control override – Manipulation of results to achieve targets and expectations of stakeholders

In our view the most important thing is that the team consists of the right people.

Your team has the relevant experiences, commitment, knowledge, time and personality to continue working with you in a proactive and positive way.

Your audit team

Selecting the right team with relevant expertise and experience is crucial to a successful working partnership.

Our audit team has the required skills and experience and combines:

- extensive experience in local government and the local marketplace;
- a genuine commitment to continuity of service; and
- a desire to respond quickly and proactively to requests for information and advice.

The key members of the audit team are:

Rashpal will continue to lead our audit service to YPO. He will be responsible for ensuring that we provide the highest quality of audit and that your needs and expectations are met. He will be the key point of contact for the Audit Committee.

Lizzie will continue to be responsible for the overall management of the audit with a particular focus on the key risk areas and communication with Audit Committee and management. She will be responsible for directing and reviewing the fieldwork, supervising the audit team on a day-to-day basis and raising key issues on the audit with management as they arise.

Matthew will lead the team on site during our interim and final audit visits. He will liaise primarily with the finance team and will be the single point of contact for audit queries.

Contact details are provided on page 1.

Rashpal Khangura
Director

Lizzie Wharton
Manager

Matthew Moore
Assistant Manager

Our fee for the audit is £23,135 including £2,500 for your value for money conclusion. The proposed fee includes a 18% decrease compared to last year's fee to reflect the savings from delivering a non-statutory audit outside the PSAA contract.

Reporting of fee information

Fee information covering both audit and non audit services will be collated during the year and presented at the Audit Committee in April.

Basis of fee information

These fees have been agreed on the basis that:

- draft statutory accounts are presented to us for audit;
- supporting schedules to figures in the accounts are supplied;
- all books and records are made available to us;
- a trial balance together with reconciled control accounts are presented to us;
- all deadlines agreed with us are met;
- we find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- management will be available to us as necessary throughout the audit process; and
- there will be no changes in deadlines or reporting requirements.

We have prepared a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary.

Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

If there are any variations to the above plan, we will discuss them with you and agree any additional fees before costs are incurred wherever possible.

APPENDICES

- 1 Mandatory Communications
- 2 Auditor Independence
- 3 Quality control procedures

APPENDIX 1 Mandatory Communications

During the course of our audit we plan to issue a number of reports which complement the year-round process of formal and informal communication which takes place between KPMG and senior management.

As always, our reports aim to be balanced, clear and concise with issues appropriately prioritised.

At the same time, our communication is also open, both with management and within KPMG, and ensures that the knowledge we have gained from the audit is captured from our teams and consolidated into valuable reporting.

Matters to be communicated	Method of communication
<ul style="list-style-type: none"> Relationships that may bear on the firm's Independence and the integrity and objectivity of the audit engagement partner and audit staff (ISA 260 and Combined Code) 	This paper – page 16
<ul style="list-style-type: none"> The general approach and overall scope of the audit, including levels of materiality, fraud risks, business risks and audit responses and engagement letter (ISA 260) 	This paper and engagement letter
<ul style="list-style-type: none"> Disagreement with management about matters that, individually or in aggregate, could be significant to the entity's financial statements or the auditor's report (ISA 260) 	In the event of such matters of significance we would expect to communicate with the Audit Committee throughout the year. Formal reporting will be included in our ISA 260 report for the Audit Committee meeting in April.
<ul style="list-style-type: none"> The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements (ISA 260) 	
<ul style="list-style-type: none"> Audit adjustments, whether or not recorded by the entity that have, or could have, a material effect on the entity's financial statements (ISA 260) 	
<ul style="list-style-type: none"> The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the entity's financial statements (ISA 260) 	
<ul style="list-style-type: none"> The auditor's view on valuations and related disclosures (ISA 260) 	
<ul style="list-style-type: none"> Material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern (ISA 260) 	
<ul style="list-style-type: none"> Expected modifications to the auditor's report (ISA 260) 	
<ul style="list-style-type: none"> Other matters warranting attention by those charged with governance, such as effectiveness of internal controls relevant to financial reporting, material weaknesses in internal control, questions regarding management integrity, and fraud involving management (ISA 260 and ISA 240) 	
<ul style="list-style-type: none"> Any other information included in the annual report and accounts that appears materially misstated based on the auditor's knowledge (ISA 720A). To be reported by exception, or that there is nothing to report (ISA 700). 	

Auditor independence

ISA 260 requires us to communicate to the Audit Committee on any matters which may reasonably be thought to bear on our independence, set out the safeguards in place in relation to these matters and confirm that we are independent.

KPMG is committed to being, and being seen to be independent. As part of our ethics and independence policies, all Audit Directors, KPMG Partners and staff annually confirm their compliance with our ethics and independence manual, including in particular that they have no prohibited shareholdings. Our ethics and independence manual is fully consistent with the professional practice rules of the Institute of Chartered Accountants in England and Wales, by whom we are regulated for audit purposes.

In addition, we have underlying safeguards in place to maintain independence through:

- Instilling professional values;
- Communications;
- Internal accountability;
- Risk management; and
- Independent reviews.

Further safeguards include regular review of the composition of the audit team, including rotation in accordance with the relevant regulations. Any new engagement undertaken for YPO is subject to acceptance procedures, requiring consultation with Rashpal Khangura as Audit Partner.

To facilitate our independence in the services we provide to you, KPMG has created a database of all global listed clients, known as Sentinel, which a partner must access before they accept any client engagement. If the client is a restricted client, such as YPO, then the partner must obtain Audit Partner approval before being permitted to accept the engagement, with individual Sentinel Approval Numbers existing for each separate engagement letter.

We also consider the fees paid to us YPO and its related entities for professional services provided by us. The Audit Committee receives an annual report which summarises fees paid to KPMG for non-audit services.

Having considered the above and other relevant factors, in our professional judgement, we are satisfied that KPMG is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Partner and audit staff is not impaired.

Non audit services

Permissible non-audit services that auditors may perform for their audit clients are enshrined in the APB's Ethical Standard 5.

The principal threats to an auditor's objectivity and independence are:

- self interest
- self review
- acting as management
- acting as advocate
- familiarity
- intimidation

As a result we operate a proprietary global system (Sentinel) to ensure that all requests from YPO via local KPMG offices, for KPMG to provide non-audit services are considered in the context of YPO policy and our professions ethical standards. Where necessary, further information is sought and specific approvals obtained from the Audit Committee.

In relation to all services provided, consideration is given to any threats to our objectivity and independence. In relation to non audit services which may impact on the financial statements, we apply appropriate safeguards. These include separation of personnel from the audit team and ensuring no decisions or accounting judgements were made by KPMG LLP on behalf of management. In particular, in relation to tax compliance, we do not provide tax accounting schedules.

In summary, in the light of the above safeguards, our assessment is that the above matters have been properly addressed in accordance with APB Ethical Standards and do not threaten our objectivity or independence.

Our values are at the heart of our Global Code of Conduct, which defines the standards of ethical conduct we require of people in KPMG's member firms worldwide.

- We lead by example
- We work together
- We respect the individual
- We seek the facts and provide insight
- We are open and honest in our communications
- We are committed to our communities
- Above all, we act with integrity.

Audit Quality is integral to our business and is the responsibility of every partner and employee.

KPMG has developed a global Audit Quality Framework to ensure our people concentrate on the skills and behaviours that are needed to deliver an appropriate and independent opinion.

Every KPMG firm across the world uses this framework to describe, focus on and enhance audit quality for the benefit of our clients.

All member firms are committed to following common standards in the provision of services, and maintaining the highest standards of independence and integrity.

Our training, our processes and our systems and controls are all designed to achieve objective independent advice and opinions on which shareholders can rely.

The framework ensures we meet the requirements of UK law, professional standards issued by the UK Auditing Practices Board and IFAC rules.

It provides us with reasonable assurance of compliance with the UK Companies Acts and professional standards, firm policies and PCAOB and SEC rules where relevant.

We are the only firm to rollout an Audit Quality Framework across our entire global network.



Tone at the top sits at the core of our Audit Quality Framework and ensures the right behaviours permeate across our entire organisation

- Irrespective of management's documented strategy and policies, it is the force that drives individual professionals.
- The 'unseen hand' that directs activities regardless of management's proximity to the action.
- A commitment to the quality of care clients receive.

In the UK we have set up an Audit Quality Forum to continuously review, monitor and enhance audit quality throughout the practice.



cutting through complexity

© 2016 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name, logo and ‘cutting through complexity’ are registered trademarks or trademarks of KPMG International Cooperative (KPMG International).



YPO
AUDIT SUB-COMMITTEE
TO BE HELD ON
10TH FEBRUARY 2017

SUBJECT: STATEMENT OF ACCOUNTS 2016

REPORT OF: FINANCIAL CONTROLLER

1 PURPOSE OF REPORT

1.1 To present the pre-audit Statement of Accounts for 2016.

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 in line with the relevant standards and regulations.

4.3 The audit is expected to commence on 20th March and will conclude on or around 31st March.

4.4 The pre-audit statement has been examined by officers from the Lead Authority.

4.5 Property valuations were obtained from Norfolk Property Services as at 9th December 2016 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 OPTIONS APPRAISAL

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

6 WHAT DOES THIS MEAN FOR YPO STAKEHOLDERS

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

7. OUTCOME AND SUSTAINABILITY

7.1 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.

8. RISK ASSESSMENT

8.1 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.

9. CONSULTATIONS AND ENGAGEMENT

9.1 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.

10. BACKGROUND PAPERS

10.1 Draft 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: Draft Statement of Account 2016

YORKSHIRE PURCHASING ORGANISATION



**PRE-AUDIT
STATEMENT
OF ACCOUNTS
2016**

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 2016. The foreword and financial summary 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 three associate member authorities of YPO, 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
Walsall Council	2015
Tameside Council	2015
Lancaster City 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
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

Narrative Statement by the Managing Director

Salford City Council	2016
Sefton Borough Council	2016
Solihull Metropolitan Borough Council	2016
Wyre Council	2016

Certain services, including legal, treasury and internal audit, are provided by 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.

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 2016 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 Organisations 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.

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.

Narrative Statement by the Managing Director

4. FINANCIAL SUMMARY

The 2016 budget approved in November 2015 was for a turnover of £125m and a surplus of £9.2m, excluding any income for pensions interest or expenditure financed from earmarked reserves.

Invoiced sales for the year are £113.9m and the reported surplus on trading of £7.4m is under the budget set of £9.2m by £1.8m, 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 6% 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 £11.1m 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 £4.3m were under the budget of £4.8m, mainly due to emergency services and energy framework contributions being lower than expected.

During 2016 we have benefited from additional catalogue contribution income of £0.641m. This was due to the invoices raised in regards to the 2016 catalogue being significantly greater than that forecasted at 31st December 2015.

Operating costs for 2016 were £30m, £0.280m over budget. The main contribution for the adverse variance was an overspend across promotional activity and IT software costs. These overspends were partially offset through savings in distribution costs which were a result of the downturn in turnover and orders fulfilled.

In 2016 £1.112m of expenditure was funded through the internal earmarked reserve funds. This was planned expenditure approved at the November 2015 Management Committee. The initial funding of this was through the surplus made in 2015.

Trade debtors are at £8.0m, £0.2m less than in 2015. An aged debt analysis shows that debts older than 12 months have dropped from £0.143m in 2015 to £0.061m in 2016.

The net assets of the organisation as at 31st December 2016 are £11.2m, significantly less than £26.8m in last years accounts. Whilst cash balances of £14m and the general fund balance of £28.8m remain healthy and available to fund future growth and capital investment requests, the reduction in value is due to an increase in the pension liability of £13m, details of which are noted below.

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 minimal 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.

During the year £0.006m was spent on capital items. These related to additional costs incurred during the integration of the access control system.

An agreed dividend distribution of £9.230m for the trading year 2015 was distributed in September 2016. This distribution, as last year, included all customers.

No acquisitions or discontinuation of operations were made during 2016.

Narrative Statement by the Managing Director

5. RETIREMENT BENEFITS

The value of the organisation's retirement benefits liability as at 31 December 2016 was £29.9 million (31 December 2015 £16.8 million). This increase in liability is attributable to actuarial losses due to changes in the financial assumptions. Increases in rates of inflation, pension and salary costs all contribute to this.

These assumptions are detailed in note 7.

The employer's contribution rate was 12.1% for Jan to Mar 2016 and 11.9% from April.

(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.

The actuaries (Aon Hewitt) issued the results of the March 2013 triennial valuation for the pension scheme in January 2014 which sets out the employer's contribution from April 2014 to April 2017 at the following contribution rates 2014/15 - 12.3%, 2015/16 - 12.1% and 2016/17 11.9%.

6. SIGNIFICANT MATTERS

The budget submission for the 2016 financial year was given approval by the Management Committee at the meeting in November 2015. The budget was built on assumptions of growth in core business keeping the Operating Costs to Sales ratio at 22.9% which has gone up to 25.4% in 2016's performance.

A dividend distribution of £9.230m declared in respect of the 2015 trading year, was distributed in September 2016 which reflected the increased performance during 2015. This included a non cash loyalty bonus of £2.1m 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 2016 between the above companies are classed as related party transactions.

7. MEDIUM TERM FINANCIAL STRATEGIES

The 2017 budget was approved by the Committee in November 2016 as the final year of our three year strategy. This current strategy originally focused on continuous growth through developing new markets and offerings. However, the impact of external factors has re-focused the plan for 2017 to ensure that customer retention is also a main focal point along with introducing a process for performance management and efficiency generation. A medium term financial strategy has also been drawn up alongside the 2017 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 Assistant Chief Executive, Resources & Governance 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 ASSISTANT CHIEF EXECUTIVE, RESOURCES & GOVERNANCE

The Assistant Chief Executive, Resources & Governance 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 Assistant Chief Executive, Resources & Governance 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 Assistant Chief Executive, Resources & Governance has also:

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

THE ASSISTANT CHIEF EXECUTIVE, RESOURCES & GOVERNANCE

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 2016 and its Income and Expenditure for the year then ended.

.....

MICHAEL CLEMENTS
Assistant Chief Executive, Resources & Governance

APPROVAL OF THE ACCOUNTS

As the Chair of the body considering the Yorkshire Purchasing Organisation's Statement of Accounts for 2016, I certify that the Accounts have been approved by the Management Committee and are authorised for issue.

.....

Cllr LES SHAW
Chairman YPO Management Committee

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.

2015	£000's											
	Usable Reserves			Unusable Reserves								Total 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 2014	29,507	85	1,830	11,263	(18,652)	(69)	62	31,422	(7,396)	24,025		
Movement in Reserves during 2015												
Surplus or (Deficit) on Operations	(701)							(701)	0	(701)		
Other Comprehensive Income					3,500		(60)	0	3,440	3,440		
Total Comprehensive Expenditure and Income	(701)	0	0	0	3,500	0	(60)	(701)	3,440	2,739		
Adjustments between accounting basis and funding basis under regulation												
Net Increase / (Decrease) before transfer to Earmarked Reserves	(701)	0	0	0	3,500	0	(60)	(701)	3,440	2,739		
Transfer (to) / from Earmarked Reserves	1,496		473	(249)	(1,675)	(44)	(1)	1,969	(1,969)	0		
Increase / (Decrease) in Movement in Year	795	0	473	(249)	1,825	(44)	(62)	1,268	1,471	2,739		
Balance as at 31 December 2015	30,302	85	2,303	11,014	(16,827)	(113)	0	32,690	(5,925)	26,765	13	

2016	£000's											
	Usable Reserves			Unusable Reserves								Total 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)	(113)	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	2,555		(533)	(469)	(1,555)	1	0	2,023	(2,023)	(0)		
Increase / (Decrease) in Movement in Year	(1,484)	0	(533)	(469)	(13,068)	1	0	(2,017)	(13,536)	(15,553)		
Balance as at 31 December 2016	28,818	85	1,770	10,545	(29,895)	(111)	0	30,673	(19,462)	11,213		

Comprehensive Income and Expenditure Account

2015		2016
<u>£'000</u>		<u>£'000</u> <u>Note</u>
117,404	<i>Invoiced Turnover</i>	113,904 1(b),6
<u>(86,673)</u>	<i>Cost of Sales</i>	<u>(83,926)</u>
30,731	<i>Gross Margin</i>	29,978
199	Discounts	142
4,902	Rebates	4,335 1(b),6
2,310	Other Income	2,348 1(b),6
<u>38,142</u>	<i>Gross Surplus</i>	<u>36,804</u>
	<i>Operating Expenses</i>	
(16,766)	Employees	(17,739)
(1,078)	Premises	(1,115)
(6,037)	Supplies and Services	(6,403)
(4,725)	Transport	(4,583)
(179)	S.L.A. Costs	(102)
1,057	Financial and Miscellaneous	(143)
(1,048)	Depreciation and revaluation increase/(decrease)	(475) 1(e),8
(1,051)	Pension service gain(cost) net of charges made to the general fund	(962) 1(h),7
<u>(29,827)</u>	<i>Net Operating Expenditure</i>	<u>(31,522)</u>
<u>8,316</u>	<i>Surplus/(deficit) on trading operations</i>	<u>5,282</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>	
(624)	Pensions Interest Cost and Expected Return on Pension Assets	(593) 1(h),7
80	Interest Receivable	70
(8,472)	Dividend paid	(8,798)
<u>(9,016)</u>		<u>(9,321)</u>
<u>(701)</u>	<i>Surplus/(Deficit) on provision of service</i>	<u>(4,039)</u>
	<i>Other Comprehensive income and expenditure</i>	
3,500	Actuarial gains / (losses) on pension assets / liabilities	(11,513)
(60)	Gains / (losses) on revaluations of PPE and depreciation	0
<u>3,440</u>		<u>(11,513)</u>
<u>2,739</u>	<i>Total comprehensive Income and Expenditure</i>	<u>(15,552)</u>

BALANCE SHEET

The Balance Sheet shows the value as at 31st December 2016 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 2015 £'000		31st Dec 2016 £'000	<u>Note</u>
ASSETS AND LIABILITIES			
Long term Assets			
Property, Plant and Equipment			
9,240	Land and Buildings	9,058	1(e),8
1,032	Vehicles, Furniture & Equipment	784	1(e),8
<u>69</u>	Intangible Assets	<u>30</u>	1(e),8
<u>10,341</u>	Total Long Term Assets	<u>9,872</u>	
Current Assets			
12,544	Inventories	12,213	1(m),9
11,827	Short term debtors	12,353	1(u),10
<u>17,237</u>	Cash and cash equivalents	<u>14,214</u>	
<u>41,608</u>	Total Current Assets	<u>38,780</u>	
Current Liabilities			
<u>(8,357)</u>	Short term creditors	<u>(7,543)</u>	1(v),11
<u>(8,357)</u>	Total Current Liabilities	<u>(7,543)</u>	
<u>33,251</u>	Net Current Assets	<u>31,236</u>	
Long term Liabilities			
<u>(16,827)</u>	Liability relating to Defined Benefit Pension Scheme	<u>(29,895)</u>	1(h),7
<u>26,765</u>	Net Assets	<u>11,213</u>	
Financed by:			
Usable Reserves			
30,302	General Fund	28,818	
85	Usable Capital Receipts Reserve	85	1(g),13
2,303	Internal Investment reserve	1,770	1(g),13
Unusable Reserves			
11,014	Joint Committee Capital Adjustment Account	10,545	1(g),13
<u>(16,827)</u>	Pension Reserve	<u>(29,895)</u>	1(h),7,13
<u>(113)</u>	Earmarked Accumulated Absences Account	<u>(111)</u>	1(g),13
0	Revaluation Reserve	0	1(g),13
<u>26,765</u>	Total Reserves	<u>11,213</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.

2015		2016
£'000		£'000
(701)	Net surplus/(deficit) on the provision of service	(4,039)
	Adjustment to the net surplus/(deficit) for non cash movements	
1,048	Depreciation and revaluation increase/(decrease)	475
(1,912)	(Increase)/Decrease in Inventories	331
2,474	(Increase)/Decrease in Debtors	(526)
1,675	(Increase)/Decrease in Pension Liability	1,555
71	Increase/(Decrease) in Creditors	(813)
(1,272)	Redemption of loyalty vouchers	(1,690)
<hr/> 2,084		<hr/> (668)
	Adjustments for items included in the net surplus/(deficit) that are financing/investing activities	
8,339	Proceeds from sale of PPE	8,798
8,339	Dividend payment	8,798
<hr/> 9,722	Net cash flows from operating activities	<hr/> 4,091
	Investing Activities	
(798)	Purchase of PPE	(6)
0	Proceeds from Sale of PPE	0
<hr/> (798)		<hr/> (6)
	Financing Activities	
(7,067)	Dividends paid to Members	(7,108)
<hr/> (7,067)		<hr/> (7,108)
<hr/> 1,857	Net Increase/(Decrease) in Cash and Cash Equivalents	<hr/> (3,023)
15,379	Cash and Cash Equivalents at the beginning of the reporting period	17,237
<hr/> 17,237	Cash and Cash Equivalents at the end of the reporting period	<hr/> 14,214

Note on operating activities		
	The cash flows from operating activities include the following items	
80	Interest Receivable	70
80		70

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 2015/16 and Service Reporting Code of Practice 2015/16, 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

Turnover is the value of invoiced sales during the year, adjusted for the value of deliveries prepared to 31st December for which 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 9th December 2016, 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	2016
41 Industrial Park	46 years
Flanshaw Way	41 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

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

Notes to the Core Financial Statements

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 2.7% on funded liabilities and 2.7% 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.

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.

Notes to the Core Financial Statements

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 2016.

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).

q. 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.

Notes to the Core Financial Statements

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 2015/16 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 2017 Statement of Accounts.

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.

Notes to the Core Financial Statements

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 £2.128m.

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 £50K.

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 2016 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 2016 was £113.9m, £11.1m below the budget for the year and down on last year by £3.5m.

A reduction in sales across most selling categories has contributed to this with Directs Furniture and School supplies the largest adverse variance against budget.

An additional £0.641m 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 agreed dividend distribution of £9.230m for the trading year 2015 was distributed in September 2016. This distribution included all customers. As at the 31st December 2016 there was a balance of £432K 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 2016 was 12.1% and from April to December was 11.9%. Employees contributions in 2016 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.

Notes to the Core Financial Statements

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
	2015 £'000	2015 £'000	2015 £'000	2016 £'000	2016 £'000	2016 £'000
Comprehensive Income and Expenditure Account						
Cost of Service						
Current Service Cost	2,567	0	2,567	2,511	0	2,511
Past Service (Gain)/Cost	80	0	80	0	0	0
Curtailment (Gain)/Loss		0	0		0	0
Financing and investment income and Expenditure						
Net interest Expense	592	32	624	561	32	593
Total Post Employment Benefit Charged to the surplus or Deficit on the Provision of Services	3,239	32	3,271	3,072	32	3,104
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	232	0	232	(11,444)	0	(11,444)
Actuarial (Gains) and losses-demographic assumptions	0	0	0	0	0	0
Actuarial (Gains) and losses-experience	(274)	(6)	(280)	(750)	(16)	(766)
Actuarial (Gains) and losses-financial assumptions	(3,436)	(16)	(3,452)	23,618	105	23,723
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(239)	10	(229)	14,496	121	14,617
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	(3,239)	(32)	(3,271)	(3,072)	(32)	(3,104)
Actual amount charged against the General Fund balance for pensions in the year:						
- employer's contributions to the pension scheme	1,532		1,532	1,485		1,485
-retirement benefits payable to pensioners		64	64		64	64
Total Charge against the General fund	(1,707)	32	(1,675)	(1,587)	32	(1,555)

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

	Males		Females	
	2015	2016	2015	2016
Rating to base table	0	0	0	0
Scaling to base table rates	105%	105%	100%	100%
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)	22.6	22.7	25.5	25.6
Future lifetime from age 65 (currently aged 45)	24.8	24.9	27.8	28

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

	Funded		Unfunded	
	2015	2016	2015	2016
	£000s	£000s	£000s	£000s
Pension Assets and Liabilities				
Recognised in the Balance Sheet				
Fair value of assets	71,953	85,381	0	0
Present value of the defined benefit obligation	(87,863)	(114,302)	(917)	(974)
Net liability arising from defined benefit obligation	(15,910)	(28,921)	(917)	(974)

Notes to the Core Financial Statements

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.

	2015	2016
	£'000	£'000
Balance at 1st January	70,337	71,953
Interest income	2,452	2,651
Remeasurement gains/ (losses) on assets	(232)	11,444
Employer contributions	1,532	1,485
Contributions by scheme participants	790	811
Benefits paid	(2,926)	(2,963)
Balance at 31st December	71,953	85,381

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

	Funded Liabilities		Unfunded Liabilities	
	2015	2016	2015	2016
	£'000	£'000	£'000	£'000
Balance at 1st January	(88,018)	(87,863)	(971)	(917)
Current Service Cost	(2,567)	(2,511)		
Interest Cost	(3,044)	(3,212)	(32)	(32)
Contributions by scheme participants	(790)	(811)		
Remeasurement gains and (losses)				
<i>Actuarial gains and (losses) - demographic assumptions</i>	0	0		
<i>Actuarial gains and (losses) - financial assumptions</i>	3,436	(23,618)	16	(105)
<i>Actuarial gains and (losses) - experience</i>	274	750	6	16
Benefits paid	2,926	2,963	64	64
Past service costs and curtailments	(80)	0		
Balance at 31st December	(87,863)	(114,302)	(917)	(974)

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	
	2015	2016
Equity investments	75.00%	76.00%
Property	4.60%	4.40%
Bonds	15.20%	14.50%
Other assets *	5.20%	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.

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 December 2013 and the unfunded scheme as at 31st December 2014.

The principal assumptions used by the actuary have been:

	Funded element		Unfunded element	
	2015	2016	2015	2016
Mortality assumptions				
Longevity at 65 for future pensioners				
Men	24.8 years	24.9 years		
Women	27.8 years	28.0 years		
Longevity at 65 for current pensioners				
Men	22.6 years	22.7 years	22.6 years	22.7 years
Women	25.5 years	25.6 years	25.5 years	25.6 years
Rate of Inflation (RPI)	3.00%	3.20%	2.90%	3.20%
Rate of Inflation (CPI)	1.90%	2.10%	1.80%	2.10%
Rate of Increase in Salaries	3.40%	3.60%	-	-
Rate of Increase in Deferred Pensions	1.90%	2.10%	-	-
Rate of Increase in Pensions	1.90%	2.10%	1.80%	2.10%
Rate for discounting scheme liabilities	3.70%	2.70%	3.60%	2.70%
Take-up of option to convert annual pension into retirement lump sum	75.00%	75.00%		

Notes to the Core Financial Statements

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

Member Life expectancy (+ or - 1 year)
 Rate of increase in salaries (+ or - 0.1%)
 Rate of increase in pensions (+ or - 0.1%)
 Rate for discounting scheme liabilities (+ or - 0.1%)

Increase in Assumption £000	Decrease in Assumption £000
3,386	(3,365)
582	(576)
1,580	(1,557)
(2,128)	2,168

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 £29.895m 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 2017 are £1.532m. In addition, contributions towards the unfunded obligations will be required. Expected contributions for the discretionary benefits in the year to 31st December 2017 are £0.064m.

The weighted average duration of the defined benefit obligation for scheme members is 18.8 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 2016, the Organisation held the following assets

Property plant and equipment were predominantly represented by 48 Delivery vehicles (2015 = 48), 93 Container units (2015 = 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 2015).

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	9,240	345	78	609	10,272

2015 Comparative

Property Plant and Equipment

Cost or valuation

Opening balance 1 January 2015
 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 2015

Depreciation and impairments

Opening balance 1 January 2015
 Charge for depreciation 2015
 Disposals
 Impairment
 Acc depreciation write out to gross carrying amount
 Revaluation

At 31 December 2015

Net Book Value at 31 December 2015

Net Book Value at 1 January 2015

	Land & Buildings £'000	Furniture & Equipment £'000	Computers £'000	Vehicles £'000	TOTAL £'000
Opening balance 1 January 2015	9,877	684	860	2,774	14,194
Acc depreciation write out to gross carrying amount	(168)			-	(168)
Revaluation increase / (decrease) recognised in the Revaluation Reserve	(61)	-	-	-	(61)
Revaluation increase / (decrease) recognised in the I&E	(530)	-	-	-	(530)
Additions	122	49	65	562	798
Impairment					
Disposals					
At 31 December 2015	9,240	732	925	3,336	14,233
Depreciation and impairments					
Opening balance 1 January 2015	0	317	813	2,521	3,651
Charge for depreciation 2015	168	71	34	206	478
Disposals		-	-	-	0
Impairment		-	-	-	0
Acc depreciation write out to gross carrying amount					0
Revaluation	(168)	-	-	-	(168)
At 31 December 2015	0	387	847	2,727	3,961
Net Book Value at 31 December 2015	9,240	345	78	609	10,272
Net Book Value at 1 January 2015	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 2016

Cost or valuation

Opening balance 1 January 2016
 Additions
 Impairment
 Disposals

At 31 December 2016

Amortisation and impairments

Opening balance 1 January 2016
 Amortisation charge for 2016
 Impairment
 Disposals

At 31 December 2016

Net Book Value at 31 December 2016

Net Book Value at 1 January 2016

Intangible Assets £'000
118
118
49
39
88
30
69

2015 Comparative

Cost or valuation

Opening balance 1 January 2015
 Additions
 Impairment
 Disposals

At 31 December 2015

Amortisation and impairments

Opening balance 1 January 2015
 Amortisation charge for 2015
 Impairment
 Disposals

At 31 December 2015

Net Book Value at 31 December 2015

Net Book Value at 1 January 2015

Intangible Assets £'000
118
118
10
39
49
69
108

9. Inventories

31st Dec 2016	Warehouse Stock £000's	Packing and Materials £000's	Total £000's
Opening inventory balance	12,489	55	12,544
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
Provision for stock write off	(135)	-	(135)
Closing Inventory balance	12,150	63	12,213

31st Dec 2015	Warehouse Stock £000's	Packing and Materials £000's	Total £000's
Opening inventory balance	10,556	75	10,631
Purchases	64,387	356	64,743
Recognised as an expense in year	(62,536)	(376)	(62,912)
Reduction of Stock in Transit accrual	170	-	170
Reversals of write offs in previous years	-	-	-
Provision for stock write off	(88)	-	(88)
Closing Inventory balance	12,489	55	12,544

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 2015 £'000	31st Dec 2016 £'000
Trade Debtors	8,271	8,053
Accumulated Absences	4	7
Less - Provision for Bad Debts	(57)	(66)
	8,218	7,994
Payments in Advance and accrued income	3,609	4,359
Total	11,827	12,353

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 2015 £'000	31st Dec 2016 £'000
central government bodies	1	0
other local authorities	5,229	5,736
NHS bodies	24	27
public corporations and trading funds	0	0
bodies external to general government (i.e. all other bodies).	3,018	2,289
	8,271	8,053

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 2015 £'000	31st Dec 2016 £'000
central government bodies	-	-
other local authorities	-	-
NHS bodies	-	-
public corporations and trading funds	-	-
bodies external to general government (i.e. all other bodies).	3,609	4,359
	3,609	4,359

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 2015 £'000	31st Dec 2016 £'000
Creditors and Receipts in Advance		
Trade Creditors	5,210	5,693
Accruals	2,871	1,764
VAT	159	-32
Accumulated absences	116	118
Total	8,357	7,543

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 2015 £'000	31st Dec 2016 £'000
central government bodies	-	-
other local authorities	47	47
NHS bodies	-	-
public corporations and trading funds	-	-
bodies external to general government (i.e. all other bodies).	5,163	5,646
	5,210	5,693

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 2015 £'000	31st Dec 2016 £'000
central government bodies	159	-32
other local authorities	770	607
NHS bodies	-	-
NHS bodies	-	-
public corporations and trading funds	-	-
bodies external to general government (i.e. all other bodies).	2,217	1,275
	3,147	1,850

Long Term Liabilities

Liability relating to Defined Benefit Pension Scheme

	31st Dec 2015 £'000	31st Dec 2016 £'000
Liability relating to Defined Benefit Pension Scheme	16,827	29,895
Total	16,827	29,895

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 :-

	2015 £'000	2016 £'000
Two to six months	2,148	1,890
Six months to one year	248	222
More than one year	143	61
Total	2,539	2,173

A general provision of £66k (2015 £57k) 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 2015 £'000	31st Dec 2016 £'000	Net Movement in the Year £'000	Note
<u>Usable reserves</u>				
General Fund Balance	30,302	28,818	(1,484)	i
Capital Receipts Reserve	85	85	0	ii
Internal Investment Reserve	2,303	1,770	(533)	iii
<u>Unusable reserves</u>				
Joint Committee Capital Adjustment Account	11,014	10,545	(469)	iv
Earmarked Pension reserve	(16,827)	(29,895)	(13,068)	v
Earmarked Accumulated Absences Account	(113)	(111)	1	vi
Revaluation reserve	0	0	0	vii
Total reserves	26,765	11,213	(15,553)	

Notes to the Core Financial Statements

- (i) The General Fund Balance represents the accumulated operating surplus of the Organisation and is maintained at a prudent level, 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 2016 had a balance of £2m.

General fund balance	2015 £'000	2016 £'000
Balance brought Forward 1st of January	29,507	30,302
Surplus or deficit on operations	(701)	(4,039)
Total comprehensive income and expenditure	(701)	(4,039)
Depreciation and impairment	1,048	475
Revaluation losses (gains)		
Capital expenditure charged to the GF	(798)	(6)
Transfer of cash sale proceeds		
Use of UCRR to fund capital expenditure		
Reversal of IAS 19 charges to I&E	3,271	3,104
Employer's pension contributions	(1,596)	(1,549)
Movement in employee absence accrual	44	(2)
Total voluntary adjustments	1,969	2,023
Pension Contribution Reserve	-	-
Internal Investment Reserve	(473)	533
Total transfers to/from cash reserves	(473)	533
Total transfers to/from earmarked reserves	1,496	2,556
Balance Carried Forward 31st December	30,302	28,818
Movement in year represented in the Movement in Reserves Statement	795	(1,484)

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

Usable Capital Receipts Reserve	2015 £'000	2016 £'000
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.

Internal Investment Reserve	2015 £'000	2016 £'000
Balance brought Forward 1st of January	1,830	2,303
Transferred to Reserves		
Reserves for specific projects created in year	1,161	580
Amounts Applied		
Reserve balances utilised in year	(688)	(1,112)
Amounts released back to the General Fund		
Reserve balances no longer required and released back to the General Fund		
Balance Carried Forward 31st December	2,303	1,770
Movement in year represented in the Movement in Reserves Statement	473	(533)

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.

	2015 £000	2016 £000
Joint Committee Capital Adjustment Account		
Balance brought Forward 1st of January	11,263	11,014
Brought Forward adjustment		
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	(1,048)	(475)
Revaluation (losses) gains on property plant and equipment		
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	1	0
Net Written out amount of the cost of non-current assets consumed in the year	10,217	10,539
Capital financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-
Capital expenditure charged against the General Fund	798	6
	11,014	10,545
Balance Carried Forward 31st December	11,014	10,545
Movement in year represented in the Movement in Reserves Statement	(590)	(469)

(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.

	2015 £000	2016 £000
Earmarked Pension Reserve		
Balance bought forward 1st January	(18,652)	(16,827)
Actuarial Gains or (losses) on pension assets and Liabilities	3,500	(11,513)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,271)	(3,104)
Employers pensions contributions and direct payments to pensioners payable in year	1,596	1,549
Movement on Assets and Liabilities in year	(16,827)	(29,895)
Movement in year represented in the Movement in Reserves Statement	1,825	(13,068)

(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.

	2015 £000	2016 £000
Earmarked Accumulated Absences Account		
Balance bought forward 1st January	(69)	(113)
Settlement or cancellation of accrual made in preceding year	69	113
Amount to be accrued for current year	(113)	(111)
Amount to be charged to the Comprehensive Income and Expenditure Statement	(44)	1
Balance as at 31st December	(113)	(111)
Movement in year represented in the Movement in Reserves Statement	(44)	1

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	2015 £000	2016 £000
Balance brought Forward 1st of January	62	0
Upward revaluation of assets	-	-
Difference between fair value depreciation and historical cost depreciation	(1)	0
Revaluation written out to the General Fund	(60)	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	(62)	(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	
	2015	2016
50,000 - 54,999	2	2
55,000 - 59,999	5	2
60,000 - 64,999	1	3
65,000 - 69,999	-	-
70,000 - 74,999	2	-
75,000 - 79,999	-	-
TOTAL	10	7

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.

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

2015						
Post	Salary incl. BiK	Expenses	Pay in Lieu of Notice	Redundancy Pay	Pension Contributions	Total Remuneration
Managing Director	126,993	-	-	-	14,726	141,719
Executive Director	94,131	-	-	-	10,639	104,771
Executive Director	92,620	-	-	-	10,639	103,260
Assistant Director	81,667	-	-	-	9,313	90,980
	395,412	-	-	-	45,318	440,729

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

Notes to the Core Financial Statements

EXIT PACKAGE £	No. of compulsory redundancies		No. of other departures		Total no. of exit packages		Total cost of exit packages	
	2015 No.	2016 No.	2015 No.	2016 No.	2015 No.	2016 No.	2015 £,000's	2016 £,000's
0 - 20,000	6	-	-	1	6	1	69	13
20,001 - 40,000	1	-	-	-	1	-	27	-
40,001 - 60,000	-	-	-	1	-	1	-	45
60,001 - 80,000	-	-	-	-	-	-	-	-
Total	7	0	0	2	7	2	96	58

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:

	2015 £000	2016 £000
Not later than one year	209	275
Later than one year and not later than five years	387	423
Later than five years	2,262	2,233
	2,858	2,931

Amounts charged, in respect of these leases, to the Comprehensive Income and Expenditure Statement during 2016 were £470k (2015 £490k) 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.

2015 £'000	YPO Profit & Loss	2016 £'000
	Trading	
72,448	Stores	71,924
16,445	Food	15,625
28,510	Directs	26,355
117,404	Total Invoiced Sales	113,904
(86,673)	Cost of Sales	(83,926)
30,731	Gross Margin	29,978
199	Discounts	142
4,902	Rebates	4,335
2,310	Other Income	2,348
38,142	Total Income	36,804
	Operating Costs	
(16,572)	Employment costs	(17,617)
(1,007)	Premises	(940)
(5,616)	Supplies and Services	(5,587)
(4,725)	Transport	(4,583)
(179)	SLA costs	(102)
1,057	Financial & Misc	(143)
(1,048)	Depreciation	(475)
(28,089)	Total Operating Costs	(29,448)
80	Interest (payable)/receivable	70
-	Profit/(loss) on disposal of assets	-
-	Dividend paid	-
-	Pension costs	-
10,133	Surplus or (deficit)	7,426

Notes to the Core Financial Statements

2015 £'000	Reconciliation of P&L Account to I&E Account	2016 £'000
10,133	Net Profit in P&L Account	7,426
(10,835)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management	(11,465)
-	Amounts included in the P&L not included in the Comprehensive Income and Expenditure Statement	-
(701)	Surplus/(Deficit) on provision of service	(4039)

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 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				
Discounts	142	-	-	142
Rebates	4,335	-	-	4,335
Other Income	2,348	-	-	2,348
Total Income	36,804	0	-	36,804
Operating Costs				
Employment costs	(17,617)	-	-	(17,617)
Premises	(940)	-	-	(940)
Supplies and Services	(5,587)	-	-	(5,587)
Transport	(4,583)	-	-	(4,583)
SLA costs	(102)	-	-	(102)
Financial & Misc	(143)	-	-	(143)
Depreciation	(475)	-	-	(475)
Total Operating Costs	(29,448)	0	-	(29,448)
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)

YPO Profit & Loss 2015	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	117,404	-	-	117,404
Cost of Sales	(86,673)	-	-	(86,673)
Gross Margin				0
Discounts	199	-	-	199
Rebates	4,902	-	-	4,902
Other Income	2,310	-	-	2,310
Total Income	38,142	0	-	38,142
Operating Costs				
Employment costs	(16,572)	-	-	(16,572)
Premises	(1,007)	-	-	(1,007)
Supplies and Services	(5,616)	-	-	(5,616)
Transport	(4,725)	-	-	(4,725)
SLA costs	(179)	-	-	(179)
Financial & Misc	1,057	-	-	1,057
Depreciation	(1,048)	-	-	(1,048)
Total Operating Costs	(28,089)	0	-	(28,089)
Interest (payable)/receivable	80	-	-	80
Profit/(loss) on disposals	-	-	-	0
Dividend paid	-	(8,472)	-	(8,472)
Earmarked reserves funding	-	(688)	-	(688)
Pension costs	-	(1,675)	-	(1,675)
Surplus or (deficit) on provision of service	10,133	(10,835)	-	(701)

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 53 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:

	2015	2016
	£'000	£'000
Barnsley	14,850	17,096
Bolton	13,688	9,998
Bradford	24,049	25,108
Calderdale	10,355	11,901
Doncaster	18,279	15,868
Kirklees	20,705	27,367
Knowsley	7,287	9,820
North Yorkshire	21,941	22,882
Rotherham	13,257	13,231
St Helens	9,741	11,138
Wakefield	21,157	21,333
Wigan	15,353	16,387
York	7,798	6,461
	198,461	208,590

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 2016 £
YPO Procurement Holdings	-	-
YPO Supplies Ltd	1,170,634	247,815

18. AUDIT COSTS

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

	2015	2016
	£000	£000
Audit Costs		
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor	29	23

Notes to the Core Financial Statements

19. EVENTS AFTER THE BALANCE SHEET DATE

The xxth xxx xxxx Management Committee Meeting approved the pre audit statement of Accounts and agreed a profit distribution in respect of the 2016 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 xxxx xxx xxxxx when the accounts were authorised for issue by the Audit 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.

Where items of income or expense are material, their nature and amount is disclosed separately,

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	17
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	18
Risks to financial instruments	12	25
Turnover	6	18

	<p>YPO</p> <p>AUDIT SUB-COMMITTEE</p> <p>TO BE HELD ON</p> <p>10TH FEBRUARY 2017</p>
-----------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------

TITLE: INTERNAL AUDIT – ANNUAL REPORT – JANUARY TO DECEMBER 2016

REPORT OF: THE s151 OFFICER

1 PURPOSE OF REPORT

1.1 To present:

- The draft Annual Audit Report (see attached Appendix A) for 2016, 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 November 2016 and January 2017 (see attached Appendix B).

1.2 To receive the following Internal Audit Opinion (extract from YPO Annual Governance Statement [AGS] 2016):

“From the work undertaken by Internal Audit during 2016, key controls were found to be in place to manage associated risks to the required level, with no significant errors, losses or omissions identified. Senior management has continued to strengthen overall governance arrangements throughout the year, including implementing audit recommendations to improve any 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 2016 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 November 2016 and January 2017, 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 2016 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 2016 was completed at a cost to YPO of £45,890, 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 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:

Michael Clements, Assistant Chief Executive – Resources & Governance (Wakefield Council)

Telephone No: 01924 305388

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

Mark St Romaine, Service Manager – Internal Audit & Risk (Wakefield Council)

Telephone No: 01924 302364

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

Carl Tweed, Audit Manager (Wakefield Council)

Telephone No: 01924 306054

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

**Internal Audit
Annual Report**

YPO

January to December 2016

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 2016. 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 2016 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 2016, which will be included in YPO's 2016 Annual Governance Statement (AGS), is as follows:

"From the work undertaken by Internal Audit during 2016, key controls were found to be in place to manage associated risks to the required level, with no significant errors, losses or omissions identified. Senior management has continued to strengthen overall governance arrangements throughout the year, including implementing audit recommendations to improve any 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 2016 AGS."

INTERNAL AUDIT PERFORMANCE

4. In respect of the performance of the Internal Audit Service, the planned work for the period January to December 2016 was substantially completed by the end of December 2016 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. Four were completed and returned, three 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 2016 Internal Audit Plan. Six reports were issued by Internal Audit. In addition, one report was 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 During the 2016 audit of main financial systems, using data analytics software to analyse payroll variations. The output data was provided to YPO. Some of the findings may be considered for future performance management 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.
 - 11.3 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 2016, the following points are worthy of note:
 - 12.1 Although two of the three main financial systems examined ('Ordering and Creditors – Working Expenses' and 'Asset Management') had, in the main, appropriate controls established and in place, there were some areas for improvement. Two issues related specifically to Payment Cards, with examples found of there being no signed user agreement and bank statements not being checked in a timely manner by cardholders. Testing found that there were examples of retrospective Working Expenses orders being placed. It was also noted that invoices from Hired Carrier providers could not be fully reconciled to records of expected spend held by YPO transport.

The 'Ordering and Creditors – Business Creditors' system was found to be operating to the required level of control.
 - 12.2 The Payment Card Industry Data Security Standards self-assessment completed by YPO in 2014 resulted in a low compliance score. Although procedural changes had been subsequently made, YPO was still falling short of being fully compliant.

- 12.3 The procedures in place for delivering business planning objectives / priorities were working well. However, it was felt that the links between Board reports and the detailed objectives in the Commercial Activity Plan could be made clearer. The Board would then be able to provide more challenge.
 - 12.4 An audit on IT interface controls relating to information transferred from source to another application found that controls were in place and operating to mitigate the risk of data becoming lost, corrupted, misinterpreted, delayed, duplicated or accessed by unauthorised persons.
 - 12.5 An audit on Security Arrangements examined the extent to which the recommendations made by Zurich during their review of YPO's security (September 2015) had been implemented. It found that good progress had been made. The audit also assessed compliance with YPO's new Security Policy and the CCTV Policy. It found that good progress had been made in ensuring that these policies were complied with.
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 2016 INTERNAL AUDIT PLAN

Review Area / Report Date	Audit Opinion
Main Financial Systems 2016 – 19/01/17 <ul style="list-style-type: none"> - Implementation of Previously Agreed Actions - Ordering and Creditors – Working Expenses and Hired Carriers - Ordering and Creditors – Business Creditors - Asset Management 	Mostly Implemented Mostly Effective Fully Effective Mostly Effective
Electronic Card Payments – 18/01/17	Partially Effective
Procedures In Place For Delivering Business Planning Objectives / Priorities – 15/12/16	Not Applicable
IT Interface Controls Relating To Information Transferred From Source To Another Application – 24/05/16	Fully Effective
Security Arrangements – 27/04/16	Not Applicable
Main Financial Systems 2015 – 28/01/16 <ul style="list-style-type: none"> - Asset Management - Budgetary Control - Business Debtors - Main Accounting - Non-Business Debtors - Ordering and Creditors (Business Creditors) - Ordering and Creditors (Working Expenses and Hired Carriers) - Payroll - Stock Control 	Fully Effective

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

INTERNAL AUDIT PROGRESS REPORT – NOVEMBER 2016 TO JANUARY 2017

1. Three Internal Audit reports have been issued since the last Internal Audit Progress Report was discussed at the YPO Audit Sub-Committee on the 4th November 2016, as shown below:

Report	Audit Opinion In Report / Main Messages In Report	Actions Taken By YPO
<p>Main Financial Systems 2016 – 19/01/17</p> <ul style="list-style-type: none"> - Implementation of Previously Agreed Actions - Ordering and Creditors – Working Expenses and Hired Carriers - Ordering and Creditors – Business Creditors - Asset Management 	<p>Mostly Implemented (Implementation of Previously Agreed Actions)</p> <p>Mostly Effective (Ordering and Creditors – Working Expenses and Hired Carriers)</p> <p>Fully Effective (Ordering and Creditors – Business Creditors)</p> <p>Mostly Effective (Asset Management)</p> <p>This audit marked the first year 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. One of the benefits of the new 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 assessment of ‘fully effective’ for ‘Ordering and Creditors – Business Creditors’ recognises that, based on discussions with staff and testing carried out by Internal Audit, in all cases sufficient controls are in place and working effectively.</p> <p>The overall assessments of ‘mostly effective’ for ‘Ordering and Creditors – Working Expenses and Hired Carriers’ and ‘Asset Management’ recognise that, in the main, risks are being managed to an appropriate level, with appropriate controls established and in place. However, testing carried out by Internal Audit did find examples of:</p>	<p>The action plan is not due to be returned until the 23rd March 2017.</p>

Report	Audit Opinion In Report / Main Messages In Report	Actions Taken By YPO
	<ul style="list-style-type: none"> - Payment Card documentation being incomplete, including a signed user agreement; - Retrospective Working Expenses orders, and - Payment Card bank statements not being checked in a timely manner by cardholders. <p>In addition, it was also noted that:</p> <ul style="list-style-type: none"> - Invoices from Hired Carrier providers cannot be fully reconciled to records of expected spend held by YPO transport, and - Fleet vehicle keys are not secured in the office or booked in / out by drivers. 	
<p>Electronic Card Payments – 18/01/17</p>	<p style="text-align: center;">Partially Effective</p> <p>The Payment Card Industry Data Security Standards self-assessment in 2014 resulted in a low compliance score. Although procedural changes have been subsequently made, YPO still falls short of being fully compliant.</p>	<p>The action plan is not due to be returned until the 17th March 2017.</p>
<p>Procedures In Place For Delivering Business Planning Objectives / Priorities – 15/12/16</p>	<p style="text-align: center;">Not Applicable</p> <p>A Commercial Activity Plan is in place and its implementation is being monitored. This approach is working well, but it was felt by Internal Audit that the links between Board reports and the detailed objectives in the Commercial Activity Plan could be made clearer. The Board would then be able to provide more challenge and also, if necessary, request the Senior Leadership Team to provide more detailed independent challenge of specific objectives in the Commercial Activity Plan.</p> <p>It was also noted that operational risk registers, which can include business planning risks, may not be up-to-date.</p>	<p>The action plan is not due to be returned until the 10th February 2017.</p>

2. In addition, Wakefield Council's Corporate Fraud Unit, working in liaison with Internal Audit, issued a report in January 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 2016 and discussed at previous Audit Sub-Committee meetings:
 - Main Financial Systems 2015 – 28/01/16
 - Security Arrangements – 27/04/16
 - IT interface controls relating to information transferred from source to another application – 24/05/16
4. In addition to the reports summarised in paragraph 1 above, the following Internal Audit work is ongoing:
 - 4.1 Business Performance Management.
 - 4.2 Fleet Replacement / Third Party Logistics.

The main emphasis of Internal Audit's work up to the end of March 2017 will be the completion of these audits.



YPO
AUDIT SUB-COMMITTEE
TO BE HELD ON
10 FEBRUARY 2017

TITLE: DRAFT 2017 YPO INTERNAL AUDIT 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 Sub-Committee with details of the draft 2017 YPO Internal Audit Plan.

2 BACKGROUND INFORMATION

- 2.1 The Sub-Committee received a report at the meeting held on the 4th November 2016, outlining the proposed process for formulating the 2017 YPO Internal Audit Plan, including a template of potential areas of audit activity. Members accepted the proposed process and requested that a detailed draft Audit Plan be presented to a future meeting of the Sub-Committee.
- 2.2 The attached detailed draft 2017 YPO Internal Audit Plan has been discussed and agreed with Simon Hill (Managing Director) and Paul Smith (Executive Director). The Plan is based on 125 days of Internal Audit work, at a cost to YPO of £45,022. This is a reduction of 5 days from 2016.
- 2.3 Following consideration by the Sub-Committee, the Plan will be submitted to the next meeting of the YPO Management Committee on the 24th March for formal approval in line with agreed protocols.

3 STRATEGIC IMPLICATIONS

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

4 FINANCIAL IMPLICATIONS

- 4.1 The cost of provision of the Internal Audit function, as referred to in paragraph 2.2 above, has been included within the YPO 2017 Budget. Any proposal to revise these costs during the year will need to be considered against the budget implications.

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 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 Members consider and comment on the draft Annual Audit Plan for 2017, attached as Appendix A to this report, prior to it being submitted to the Management Committee for formal approval.

Contact Officers:

Michael Clements, Assistant Chief Executive – Resources & Governance (Wakefield Council)

Telephone No: 01924 305388

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

Mark St Romaine, Service Manager – Internal Audit & Risk (Wakefield Council)

Telephone No: 01924 302364

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

Carl Tweed, Audit Manager (Wakefield Council)

Telephone No: 01924 306054

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

YPO

Draft Internal Audit

Annual Plan

2017

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. As key business risks are subject to change annually, an Annual Audit Plan is produced, as opposed to formal medium to long-term Plans.
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 2017 PLAN

11. Having taken into account all relevant factors, the areas to be considered for inclusion within the 2017 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 2017 Internal Audit Plan is based on 125 days of Internal Audit work, at a cost to YPO of £45,022.

YPO DRAFT INTERNAL AUDIT PLAN FOR 2017

Plan / Risk Area	Rationale For Undertaking Audit	Previous Audit	Comments
Main Financial Systems (35 days)			
<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>	2016	<p>The nine main financial systems are covered over a three-year cycle.</p> <p>Debtors (Business Income), Debtors (Non-Business Income) and Payroll will be subject to a detailed review 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> <p>Main Accounting System, Budgetary Control and Stock Control were last looked at in detail in 2015.</p> <p>(To be audited between July and December 2017.)</p>
Other Risk Based Audit Work (70 days)			
<p>Workforce Skills</p> <p>Linked to YPO strategic risk:</p> <p>SR-008 Inadequate workforce skills to support organisational strategy.</p>	<p>If YPO has inadequate workforce skills in place, it could adversely impact upon the achievement of its strategic objectives.</p> <p>Investing in workforce skills is referred to within YPO's three-year strategy.</p>	No previous audit	Undertake testing to confirm that controls exist to mitigate the risk and are working in practice.
Anti-fraud and	Potential impact on	2015	For a sample of risks recorded on

Plan / Risk Area	Rationale For Undertaking Audit	Previous Audit	Comments
<p>bribery arrangements</p> <p>Linked to YPO strategic risk:</p> <p>SR-0006 Financial crime, fraud, bribery and / or corruption.</p> <p>Also linked to Fraud Risk Assessment and Bribery Risk Assessment.</p>	<p>YPO if fraud and / or bribery were to occur.</p>	<p>(Anti-Fraud and Bribery Arrangements, which covered both overall arrangements and procurement fraud)</p>	<p>YPO's Fraud Risk Assessment, undertake testing to confirm that sufficient controls are in place and are working in practice. To also confirm, where necessary, that further actions are being taken to reduce the likelihood of a specific risk materialising.</p>
<p>Sales Forecast / Marketplace</p> <p>Linked to YPO strategic risks:</p> <p>SR-0005 Under achievement of sales forecast.</p> <p>SR-0011 Inability to cope with rapid changes in marketplace.</p>	<p>If YPO has inadequate control measures in place to ensure achievement of the sales forecast (including those to cope with rapid changes in the marketplace), it could adversely impact upon the achievement of the organisation's strategic objectives.</p>	<p>No previous audit</p>	<p>Undertake testing to confirm that controls exist to mitigate the risks and are working in practice.</p>
<p>Procurement Services</p> <p>Linked to YPO operational risk register for Procurement Services.</p>	<p>To provide assurance on the overall levels of control in place to mitigate relevant business risks.</p>	<p>No previous audit specifically on Procurement Services. But previous audits have included Energy Contracts (2012), Framework Contracts (2013) and procurement fraud as part of an audit on Anti-Fraud and Bribery Arrangements (2015).</p>	<p>Undertake testing to confirm that controls exist to mitigate the risks and are working in practice.</p>
<p>Limited company.</p>	<p>Assurance required that appropriate</p>	<p>No previous audit</p>	<p>To examine the various governance controls in the Articles of Association,</p>

Plan / Risk Area	Rationale For Undertaking Audit	Previous Audit	Comments
<p>Linked to YPO strategic risks:</p> <p>SR-0022 Conflict of interest.</p> <p>SR-0023 Dilution of YPO brand.</p>	<p>arrangements are in place and operating in respect of YPO Procurement Holdings Ltd.</p>		<p>the Shareholders Agreement and the Management Services Agreement for adequacy.</p>
<p>IT Change Control</p> <p>Linked to YPO operational risk register for IT.</p>	<p>Assurance required that the implementation of any changes achieves the required outcome and does not adversely impact upon various existing arrangements.</p>	<p>Various IT-related audits, but no recent audit specifically on Change Control.</p>	<p>To examine the controls relating to: (i) testing and transition to live, and (ii) development processes and handover to testing.</p>
<p>Ongoing audit work at year-end.</p> <p>Linked to various YPO risks.</p>	<p>Annual allocation for plan achievement. First priority in new audit year.</p>	<p>Annually</p>	<p>To complete all audits either not started or ongoing at the end of December 2015 year-end, as detailed within Internal Audit's 2015 Annual Report.</p>
<p>Follow Up Audits (5 days)</p>			
<p>Follow up on work undertaken and reported previously.</p> <p>Linked to various YPO strategic and operational risks dependent on full nature of work.</p>	<p>To ensure control issues identified from previous audit reports have been adequately addressed.</p>	<p>2015 (Main Financial Systems Follow Up)</p>	<p>Confirming implementation of agreed actions arising from recent Internal Audit reports, with emphasis placed on reports issued with high priority actions.</p>
<p>Liaison, Consultancy and Advice (15 days)</p>			

Plan / Risk Area	Rationale For Undertaking Audit	Previous Audit	Comments
<p>Input to YPO Committee function.</p> <p>Linked to various YPO strategic and operational risks dependent on full nature of work.</p>	<p>It is essential that Members of the YPO Committees are kept sufficiently informed of Management and Internal Audit activities at YPO.</p>	<p>2016</p>	<p>Preparation of Internal Audit reports to YPO Committees. Attendance at YPO Committee meetings to present Internal Audit reports. Support as necessary to management attending YPO Committee meetings. Input to Member development / training regarding audit-related issues.</p>
<p>Liaison, consultancy and advice.</p> <p>Linked to various YPO strategic and operational risks dependent on full nature of work.</p>	<p>It is essential to respond to Management when advice is requested / required and to ensure adequate liaison takes place with a view to maintaining good working relationships.</p>	<p>2016</p>	<p>Audit resources utilised throughout the year as required.</p> <p>Consultancy role can include involvement in new systems and initiatives to help ensure that adequate controls are included.</p>
<p>Additional Chargeable Activities</p>			
<p>Investigate any areas of suspected fraud / irregularity.</p>	<p>Input by Internal Audit is essential to the proper independent investigation of some alleged irregularities. Poor investigations by others may lead to unacceptable outcomes and a continuance of the irregularity.</p>	<p>Annually</p>	<p>Any work required in this area to be agreed with YPO's senior management and / or Lead Authority Statutory Officers and the Plan adjusted accordingly.</p>

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

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

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

YORKSHIRE PURCHASING ORGANISATION SCRUTINY SUB-COMMITTEE

Friday 21st October 2016

Present: The Chair: Councillor Warburton

Councillors – Barnard (Barnsley MBC), Walker (Kirklees MBC), Glover (St Helens MBC)

1.	CHAIR'S INTRODUCTION & WELCOME
	The Chair, Councillor Warburton, welcomed all parties to the meeting.
2.	ACCEPTANCE OF APOLOGIES FOR ABSENCE
	Apologies for absence submitted prior to the meeting were accepted on behalf of Councillor Corden (Doncaster MBC).
3.	MINUTES – 20th MAY 2016
	The minutes of the YPO Scrutiny Sub-Committee held on 20 th May 2016 were approved as a correct record.
4.	MEMBERS' DECLARATIONS OF INTEREST
	No declarations were made.
5.	URGENT ITEMS
	None were raised.
6.	PEOPLE STRATEGY
	<p>Consideration was given to a report and presentation provided by the Assistant Director of HR & Logistics on the People Strategy for 2015-2017.</p> <p>The report updated on progress in relation to the 2015-2017 People Strategy and provided Members with an overview of the key deliverables.</p> <p>The priorities that are being focused on as part of the strategy were shared with Members, which included; developing culture, developing leaders and managers, being recognised as employer of choice, investing in performance management and recognition and rewarding excellence.</p> <p>Members raised a number of questions and detailed responses from YPO Officers were accepted.</p> <p>Resolved – That the report be noted.</p>
7.	EXCLUSION OF THE PUBLIC & PRESS
	Resolved – That the public and press be excluded from the meeting during consideration of agenda items 8, 9 and 10 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended.

8.	SALES ANALYSIS
	<p>Consideration was given to a report and presentation provided by the Executive Director summarising the business year to date.</p> <p>The report detailed specific areas of trading year to date, highlighted areas of decline and areas of growth to provide an overall picture.</p> <p>Members raised a number of questions and detailed responses from YPO Officers were accepted.</p> <p>Resolved – That the report be noted.</p>
9.	LOGISTICS STRATEGY
	<p>Consideration was given to a report & presentation given by the Head of Logistics regarding the Logistics Strategy.</p> <p>This report provided an update on progress made during the last strategy period and outlined the 2015-2017 approach. It outlined the challenges faced by logistics in conjunction with the priorities outlined in the Three Year Strategy.</p> <p>Members raised a number of questions and detailed responses from YPO Officers were accepted.</p> <p>Resolved – That the report be noted.</p>
10.	IT INVESTMENT UPDATE – PROGRAMME LINK UPDATE
	<p>Consideration was given to a report provided by the Executive Director providing Members with an update on the IT Investment.</p> <p>The report is the first Members briefing around the implementation of the ERP Business Case. The report provided an update on the budget spend and the key milestones.</p> <p>Resolved – That the report be noted.</p>
	DATE AND TIME OF NEXT MEETING
	<p>Resolved – That the next meeting of the YPO Scrutiny Sub Committee will be held on 10th February 2017 at 10.30am, at YPO Headquarters</p>



YPO
SCRUTINY SUB-COMMITTEE
TO BE HELD ON
10TH FEBRUARY 2017

TITLE: PROPOSED MERGER OF AUDIT AND SCRUTINY SUB-COMMITTEES

REPORT OF: MANAGING DIRECTOR

1. BACKGROUND INFORMATION

- 1.1 YPO's current Management Agreement, dated 8th September 2011, states under paragraph 6.(5), "The Management Committee shall appoint annually from its membership those sub-committees that it considers necessary to discharge its duties and responsibilities under this Agreement, and shall include at least an Executive Sub-Committee, an Audit Sub-Committee and a Scrutiny Sub-Committee."
- 1.2 The current Sub-Committee structure conforms to this agreement. However, since February 2013, the Audit Sub-Committee has been inquorate three times and the Scrutiny Sub-Committee twice. There are currently nine elected members on the Audit Sub-Committee and seven on the Scrutiny Sub-Committee. In both cases, members are able to substitute from within the YPO elected members of their own authority, increasing the potential pool of members from which to achieve quoracy to eighteen and fourteen respectively.
- 1.3 On occasion, the lack of quoracy of the Audit Sub-Committee particularly has caused the organisation practical difficulties, with special measures having to be taken to obtain authority to sign and submit annual accounts.

2. PROPOSED ACTION

- 2.1 Recognising the time pressure on members, including personal, professional and local authority democratic commitments, it is proposed to reduce the required time commitment by merging the Audit Sub-Committee with the Scrutiny Sub-Committee.
- 2.2 This would reduce the overall number of committee meetings by three and, hopefully, increase the likelihood of each meeting being quorate.
- 2.3 The proposed change requires an amendment to the current Management Agreement, which must be approved by at least two thirds of the membership. This should come as a recommendation from both the Audit and the Scrutiny Sub-Committees to be considered by the full Management Committee in March 2017.
- 2.4 As the position of Chair of Audit Sub-Committee is currently vacant, it is proposed that the current Chair of Scrutiny Sub-Committee should fulfil the combined role, subject to approval of the merger by the Management Committee, for the remainder of the current

committee cycle until the next Annual General Meeting in June 2017.

3. FINANCIAL IMPLICATIONS

- 3.1 There are likely to be minimal administrative savings in both the Lead Authority and YPO due to the reduction in the number of committee meetings.

4. LEGAL IMPLICATIONS

- 4.1 Changes to the current Management Agreement would be required at paragraphs 4.(3), 6.(5) and 7.(1), along with a full rewrite of the Sub-Committee Terms of Reference and Standing Orders if the proposed merger is approved by the Management Committee.

5. RISK IMPLICATIONS

- 5.1 The risk of operational disruption to YPO would be reduced if the proposed changes increase the likelihood of quoracy at each Sub-Committee. The current high level of incidences of lack of quoracy present a risk to the effective governance of YPO.

6. OPTIONS APPRAISAL

- 6.1 The options available to members are to approve the recommendation for the merger of the two Sub-Committees as described or to maintain the current Sub-Committee structure with the on-going risk of lack of quoracy.

7. RECOMMENDATIONS

- 7.1 The Scrutiny Sub-Committee agrees to recommend to the Management Committee on 24th March 2017, that:

- (i) the Audit Sub-Committee and the Scrutiny Sub-Committee are merged into a single Audit and Scrutiny Sub-Committee;
- (ii) the Management Agreement is amended to reflect this revised structure; and
- (iii) the current Chair of Audit Sub-Committee should fulfil the role of Chair of the combined Audit and Scrutiny Sub-Committee for the remainder of the current committee cycle until the Annual General Meeting in June 2017.

SERVICE DIRECTOR: SIMON HILL

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 834912
E-mail address: simon.hill@ypo.co.uk

APPENDIX:

Appendix 1: Audit Sub-Committee and Scrutiny Sub-Committee Attendance Details

Audit Sub Committee & Scrutiny Sub Committee Attendance Details

Audit Sub Committee			
Date	Number of Attendees	Number of Apologies	Total Number of Reps on Committee
4/11/16	1	5	9 (potentially 18)
22/4/16	3	3	9 (potentially 18)
26/2/16	5	3	9 (potentially 18)
6/11/15	4	2	9 (potentially 18)
15/5/15	2	3	9 (potentially 18)
13/3/15	4	2	9 (potentially 18)
10/10/14	5	1	9 (potentially 18)
11/4/14	4	3	9 (potentially 18)
7/2/14	2	2	9 (potentially 18)
18/10/13	3	3	9 (potentially 18)
19/7/13	4	1	9 (potentially 18)
26/4/13	3	3	9 (potentially 18)
8/2/13	4	2	9 (potentially 18)

Scrutiny Sub Committee			
Date	Number of Attendees	Number of Apologies	Total Number of Reps on Committee
21/10/16	4	1	7 (potentially 14)
20/5/16	2	3	7 (potentially 14)
5/2/16	4	0	7 (potentially 14)
16/10/15	5	1	7 (potentially 14)
5/6/15	2	2	7 (potentially 14)
6/3/15	3	3	7 (potentially 14)
12/9/14	4	2	7 (potentially 14)
2/5/14	4	2	7 (potentially 14)
14/2/14	5	1	7 (potentially 14)
13/9/13	5	3	7 (potentially 14)
19/4/13	4	0	7 (potentially 14)
15/2/13	5	1	7 (potentially 14)

This page is intentionally left blank



YPO
SCRUTINY SUB COMMITTEE
TO BE HELD ON
10TH FEBRUARY 2017

TITLE: REGISTER OF GIFTS AND HOSPITALITY

REPORT OF: EXECUTIVE DIRECTOR

1. PURPOSE OF REPORT

1.1. To present to Scrutiny Sub-Committee the Gifts and Hospitality Register for items valued over £25.00.

2. BACKGROUND INFORMATION

2.1. YPO is committed to good corporate governance and recognises the importance of operating effectively with the highest possible standards of openness, probity and accountability. This is reflected in YPO's corporate values. YPO recognises that its stakeholders need to have confidence in those that are responsible for the delivery of YPO's services and that the highest standards of conduct are maintained from those working for YPO. The accepting of gifts and hospitality can impact on the confidence of the stakeholders of YPO and damage its reputation and image.

2.2. YPO accepts there will be instances when employees are offered gifts and hospitality and operates a Gifts and Hospitality Policy which sets out how the offers of gifts and hospitality will be treated. The Gifts and Hospitality Policy, which is linked to a number of inter-related policies and procedures and takes its direction from the YPO Code of Corporate Governance and the YPO Code of Conduct for Employees, can be found in Appendix 1.

2.3. The Register of Gifts and Hospitality 2016 detailing items with a value over £25.00 can be found in Appendix 2.

3. STRATEGIC IMPLICATIONS

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

4. FINANCIAL IMPLICATIONS

4.1. There are no specific Financial implications associated with this report.

5. LEGAL IMPLICATIONS

5.1. YPO should ensure that their gifts and hospitality policy is current and adhered to by all employees to ensure compliance with YPO's obligations under Section 2 of the Prevention of Corruption Act 1916, Section 117 of the Local Government Act 1972 and the Bribery Act 2010.

6. EQUALITY IMPLICATIONS

6.1. There are no specific equality implications associated with this report.

7. RISK IMPLICATIONS

7.1. This report is an update on a procedure supporting the governance of the organisation.

8. RECOMMENDATION

8.1. That Scrutiny Sub-Committee review the Register of Gifts and Hospitality.

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: DIANA WRIGHT, RISK & COMPLIANCE MANAGER

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 834984
E-mail address: diana.wright@ypo.co.uk

APPENDICIES:

Appendix 1 – Gifts and Hospitality Policy
Appendix 2 – Register of Gifts and Hospitality

Better value, delivered.



**GIFTS AND HOSPITALITY
POLICY**

FOR INFORMATION ONLY

Document Control Page

Document Type	Policy	
Document Ownership	Corporate Governance	
Title of Document	Gifts and Hospitality Policy	
Status	FINAL	
Reference number	POL/FN044/v3	
Controlled by	Assistant Director HR & Logistics	
Created/ reviewed by / date:	Risk Audit and Assurance Officer	Jan 2016
Agreed by / date:	Board of Directors	Jan 2016
Checked for compliance with contract standing orders and financial procedures / date:		Jan 2016
Maintained by	Risk Audit and Assurance Officer	
Publication date	Jan 2016	
Next Review date	Jan 2017	
Current Version		
Distribution	All employees / Intranet / SharePoint	
Replaces document	POL/FN044/v3	

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

Gifts and Hospitality Policy

Contents

Section 1	Introduction
Section 2	General Caution
Section 3	Definitions
Section 4	The Law
Section 5	Policy
Section 6	Principles
Section 7	Gifts
Section 8	Hospitality
Section 9	Inducements
Section 10	Giving Hospitality
Section 11	Procedures
Appendix 1	Summary Guidance for Employees & Declaration
Appendix 2	Gifts and Hospitality Register

FOR INFORMATION ONLY

1. Introduction

- 1.1 YPO is committed to good corporate governance and recognises the importance of operating effectively with the highest possible standards of openness, probity and accountability. This is reflected in YPO's corporate values.
- 1.2 YPO recognises that its stakeholders need to have confidence in those that are responsible for the delivery of YPO's services and that the highest standards of conduct are maintained from those working for YPO. The accepting of gifts and hospitality can impact on the confidence of the public, employees, customers, suppliers and member authorities of YPO and damage its reputation and image.
- 1.3 This policy has been developed in conjunction with a number of inter-related policies and procedures, and takes its direction from the YPO Code of Corporate Governance and the YPO Code of Conduct for Employees and is developed in consideration of, and association with, the Anti-Fraud and Bribery Policy.
- 1.4 This Policy provides rules and guidance for employees of YPO. The policy relates to gifts and hospitality offered to an employee, as an employee of YPO. It does not apply to gifts and hospitality offered to an employee by their family and friends. An employee must not have any work dealings with anyone who is sufficiently closely connected to the employee by ties of kinship or friendship that a gift from them would fall into this category. If such a person approaches YPO for any reason, the employee must declare the relationship/friendship as per the procedure in the Register of Employee Interests Policy and ensure that they have no involvement in the transactions/dealings and must not seek to influence any other employee who is dealing with the matter.

2. General Caution

- 2.1 Treat with extreme caution any offer or gift, favour or hospitality that is made to you personally.
- 2.2 Your personal reputation and that of YPO can be seriously jeopardised by the inappropriate acceptance by you of a gift or hospitality.
- 2.3 The acceptance of gifts and hospitality is not always unlawful or inappropriate. The decision for you in every case is whether or not it is appropriate to accept any gift or hospitality that might be offered to you, having regard to how it might be perceived.
- 2.4 No hard and fast rules can be laid down to cover every circumstance as to what is appropriate or inappropriate. This policy offers general principles to enable you to make your own decision.

3. Definitions

3.1 What is a gift?

A gift is any item or service that you receive free of charge. It also includes any goods or services which you personally are offered at a discounted rate or on terms not available to the general public. It does not include staff offers / discounts which are negotiated corporately. Common gifts include pens, diaries, calendars, mouse mats,

books, flowers, bottles of wine, chocolates and other business stationery and promotional items.

3.2 What is hospitality?

Hospitality is the offer of food, drink, accommodation or entertainment or the opportunity to attend any cultural or sporting event on terms not available to the general public. Common hospitality includes meals, refreshments and tickets for cultural or sporting events.

3.3 Inducements / Bribe

This is an act or thing that is intended to persuade someone – i.e. offering money to secure favour or to try to make someone do something for you by giving them money, presents or something else that they want. The giving, solicitation or the acceptance of any bribe is strictly prohibited.

4. The Law

- 4.1 The acceptance of gifts and hospitality by local government employees (and thus YPO employees) is subject to the Local Government Act 1972 and by law.
- 4.2 Section 117 of the Local Government Act 1972 requires that “an officer of a local authority shall not, under colour of his office or employment, accept any fee or reward whatsoever other than his/her proper remuneration”. An officer who contravenes the provisions of Section 117 shall be liable on summary conviction to a fine not exceeding £2,500.
- 4.3 Section 2 of the now repealed Prevention of Corruption Act 1916 says that where it is proved that anyone holding or seeking a contract with a public body has made a payment to an employee of that body, the payment shall be deemed to be corrupt unless the contrary is proved.
- 4.4 Where the offer or receipt of gifts or hospitality could be reasonably be perceived to be for the purpose of bribery, this is an offence under the Bribery Act 2010.

5. Policy

- 5.1 The public is entitled to demand of an YPO employee conduct of the highest standard. Employee’s actions must not be influenced by offers or gifts or hospitality and their actions must not give the impression that they have been influenced in this way.
- 5.2 YPO employees must not accept gifts, loans, fees, rewards or other items from any person or organisation; in particular those who may potentially expect to receive an advantage or benefit in return. This includes gifts, loans, fees or rewards from contractors, outside suppliers, customers or members of the public. However, some incidental gifts or hospitality can be accepted, as detailed in this policy.
- 5.3 This policy applies to all employees of YPO, including the Board of Directors. Any breach of this policy may be viewed as gross misconduct and could lead to a disciplinary hearing that may result in summary dismissal.

6. Principles

- 6.1 Employees must maintain a good working relationship with suppliers, customers and others associated with YPO but avoid favouritism towards any group or individual in the course of their work. Employees must act with integrity at all times.
- 6.2 If it is suspected that a contractor, outside supplier or other person/organisation is acting in an improper manner, employees should report it to their line manager as a matter of urgency.

7. Gifts

- 7.1 Employees may accept low value promotional work related gifts, preferably marked with the donor's name, provided that the gift is to be used at work. Examples could be:
- diaries
 - calendars
 - pens
 - blotters
 - rulers
 - mouse mats
 - other low value stationery used as promotional gifts
- 7.2 Low value gifts that are not used at work are generally unacceptable and they should be refused. Examples could be:
- discounts on items for personal use
 - bottles of spirits, wine or beer for personal use
 - personal gifts for personal use
- 7.3 Without causing offence, employees should discourage suppliers, customers or other organisations from offering gifts. However, where small gifts, e.g. chocolates, are given as thanks for service provided these can be accepted if they are shared within the team or raffled for charity.
- 7.4 If gifts have a higher value, employees should tactfully refuse them. If gifts of this value are delivered, they should be returned with an appropriate explanation. If gifts cannot be returned, a Board Member should dispose of them to charity and record this fact.
- 7.5 All gifts, apart from low value promotional work related gifts, should be registered on the appropriate form, even if the gift is returned. Details of the procedure can be found in section 10.
- 7.6 Under no circumstances should gifts of cash to an employee of YPO by any person or organisation, be accepted.

8. Hospitality

- 8.1. Employees may only accept offers of hospitality where it is not excessive and it is considered to be in the spirit of forging strong links with organisations YPO has partnership working arrangements where YPO should be seen to be represented. Employees should tactfully refuse any hospitality where it might be seen by the public to compromise their integrity, e.g. paid holidays, complimentary tickets to sporting events etc.
- 8.2. When hospitality has to be declined those making the offer should be courteously but firmly informed of the procedures and standards operating within YPO.
- 8.3. When receiving authorised hospitality, employees should be particularly sensitive as to its timing in relation to decisions which YPO may be taking affecting those providing the hospitality.
- 8.4. Acceptance by employees of hospitality through attendance at relevant conferences and courses is acceptable where it is clear the hospitality is corporate rather than personal, and where YPO is satisfied that any purchasing decisions are not compromised. Where visits to inspect products, etc, are required, employees should ensure that YPO meets the cost of such visits to avoid jeopardising the integrity of subsequent purchasing decisions.
- 8.5. Invitations to social events offered as part of normal working life, e.g. opening celebrations, annual dinners, may be accepted if authorised by a Board Member. Invitations to any types of hospitality that are of no benefit to YPO must not be accepted.
- 8.6. All offers of hospitality, other than incidental items detailed in 7.1, must be registered on the appropriate form. Details can be found in section 10 of this policy.

9. Inducements

- 9.1. The giving, solicitation or the acceptance of any bribe is strictly prohibited.
- 9.2. All offers of bribes or inducements must immediately be reported to an appropriate senior manager and handled in accordance with the Anti-Fraud and Bribery Policy.

10. Giving Hospitality

- 10.1 If an employee would like to give corporate hospitality the same principles as receiving hospitality apply. Offers of hospitality should only be made for business reasons and whilst representing the organisation (i.e. business meetings, conferences, events etc)
- 10.2 As a commercial organisation employees may find themselves in a position where they are expected to provide hospitality such as supplier events, customer meetings, overseas visits or corporate functions. When offering hospitality employees should ensure that they are confident that these offers are in the interest of good business relationships and are not being offered with any expectation of anything in return.

10.3 Examples of hospitality include:

Buying refreshments/lunch for customers, suppliers, stakeholders and commercial partners at a business meeting or corporate event (Includes UK and overseas)

10.4 The claiming of expenses relating to hospitality should be made in the normal way via expenses but all expenses more than £20 should be recorded on the organisations Gifts and Hospitality Register. Any expense in excess of £50 should be authorised by a member of SMT or Board and the approval process be documented.

10.5 Gifts and hospitality provided should not influence any decision making process.

11. Procedure

11.1 All offers of accepted and declined gifts or hospitality (other than incidental gifts) and the giving of hospitality by an employee of YPO for a value over £20.00 must be recorded immediately, using the Declarations of Gifts and Hospitality Offered to Employees Form which can be found in Appendix 1 of this policy. The form is also available on the YPO Intranet (see Intranet – People / Forms / Gifts and Hospitality Return).

11.2 The form should be printed off, completed and signed and passed to the nominated officer, who will maintain a central file of all offers of gifts, hospitality or inducements in the Gifts and Hospitality Register an example of which can be found in Appendix 2.

11.3 If gifts are received, return them to the sender as soon as possible, providing that this would not cause offence. If it is not possible for you to return the gifts, all gifts received, other than incidental and low cost promotional items, should be passed to the nominated officer along with the completed declaration. The nominated officer will record details of the gift and advise a Board Member of YPO. If the gifts are perishable goods (e.g. chocolates, biscuits etc) it is acceptable for these to be shared with office colleagues and the gift to be recorded in the Register of Gifts and Hospitality by completing the appropriate form and provide details of the action taken. Where appropriate a Board Member may take action in accordance with the Anti-Fraud and Bribery Policy.

11.4 A Board Member of YPO will decide whether gifts not returned should be raffled or auctioned amongst staff and the proceeds given to a registered charity or the gift given to a registered charity. This information will be recorded by the nominated officer

11.5 The Gifts and Hospitality Register will be submitted to a nominated officer on a six monthly basis, who will present a report annually to the Board of Directors summarising information of gifts / hospitality valued over £25.00. Any reference to the offering organisation will be removed. The Register is also made available to the public on the YPO website under YPO's Access to Information Policy and associated publication scheme.

11.6 The principles in this policy are also applicable to the recruitment, selection, progression and reward of employees. Under no circumstances should anyone accept any offer of gifts, hospitality or favours in relation to the recruitment, selection

and progression of an employee or candidate for employment. Furthermore no employee of YPO should offer such inducements to other employees or candidates. If such offers are made then the person to whom they have been made should immediately notify the nominated officer. (see HR recruitment and selection policies for more detail).

- 11.7 If an employee's interpretations of this policy and / or their actions are called into question, it is the responsibility of the appropriate manager to investigate whether the person acted in good faith according to their understanding of the policy.
- 11.8 As a YPO employee it is also a criminal offence to demand or accept a gift or reward in return for allowing yourself to be influenced. This means you could be prosecuted by the Police.

FOR INFORMATION ONLY

Appendix 1

Gifts and Hospitality

Summary Guidance for Employees

1. As an employee of YPO, you are personally responsible for declaring all offers of any gift or hospitality indicating if such offers have been accepted or declined.
2. You should treat with extreme caution any offer of gifts or hospitality made to you personally or partners/members of your family. You should refuse any gift or hospitality which might be perceived by the public as influencing your decisions or actions as an employee of YPO. Acceptance in the context of your employment of any fee or reward, other than your proper remuneration, can constitute a criminal offence.
3. You do not need to declare gifts of a **nominal** work value (e.g. pens, calendars or a token promotional gift) or hospitality given as part of an event you attend as an employee.(e.g. conferences and training events).
4. If you are invited to an event to discuss YPO business and the value of the hospitality is substantial, get the approval of a Board Member first. This type of event should be registered even if the invitation is declined.
5. Tactfully refuse any gift or hospitality where these might be seen by the public to compromise your integrity, e.g. paid holidays, complimentary tickets to sporting events. If gifts are sent to your office, return them to the sender if possible, providing that this would not cause offence. If it is not possible for you to return the gifts, all gifts other than the incidental and low cost value promotional items should be passed to the nominated officer who will record details of the gift and advise a Board Member of YPO. If the gifts are perishable goods (e.g. chocolates, biscuits) it is acceptable for these to be shared with Office colleagues and the gift to be recorded in the Register of Gifts and Hospitality.
6. You must declare **all** offers of gifts, (unless of nominal value as described in paragraph 3 above), whether you accept them or refuse them. Declare all offers of hospitality referred to at paragraph 4 above. The giving of hospitality by an employee of YPO for a value over £20.00 must also be declared
7. Declarations must be made on this form and no other method of declaration is valid.
8. You must answer **all** of the questions on the form.
9. If you have any doubt about whether to accept a gift or hospitality, seek the advice of your Manager.

The contents of this declaration may be shared with Senior Managers and the Board and or Committee. The contents of this form may also be made public on the YPO website under YPO's Access to Information Policy and associated publication scheme.

YPO

Declaration of Gifts and Hospitality Offered or Given

Please read the guidance in the Gifts and Hospitality Policy before completing this form

Name of Employee: and Department

Who was/would have been the recipient of the gift/hospitality (if not yourself) and what is their relationship to you?

Who made the offer? [individual/company/organisation, etc].

Date offer received

Give details of the gift/hospitality

What was its estimated value?

What was the purpose of the offer?

Did you accept or refuse the offer?

Is the individual/company/organisation dealing with you or YPO in relation to any ongoing matters such as a tender process? If so, please give details

Are they asking to be added to YPO's list of approved suppliers?

Are they providing goods/services to YPO or hoping to do so in future?

I certify that I have read the guidance notes and that to the best of my knowledge, I have complied with that guidance.

Signature of Employee

Date of Declaration

Signature of Line Manager

Date:

To be handed to Business Support when complete

FOR INFORMATION ONLY

Appendix 2 – Gifts and Hospitality Register

Gifts and Hospitality Register

Name	Service Area	Offering Organisation	Details of gift/ hospitality	Date of offer	Accepted / Declined?	Estimated value (if known)

FOR INFORMATION ONLY

Better value, delivered.



FOR INFORMATION ONLY

APPENDIX 2 - REGISTER OF GIFTS AND HOSPITALITY FOR ITEMS VALUED OVER £25.00

DATE	RECEIVING OFFICER	SERVICE AREA	TYPE OF OFFERING ORGANISATION	DETAILS OF GIFT / HOSPITALITY	ACCEPTED / DECLINED	ESTIMATED VALUE
Unknown	Executive Director	Commercial	Customer	Lunch during meeting	Accepted	£85
8th Feb 2016	Executive Director, Head of Trading and Head of Sales and Customer Experience.	Commercial	Trade Body	Lunch during meeting	Accepted	£60 (£20 per person)
10th-15th April 2016	Managing Director, Executive Director and Head of Sales and Customer Experience	Directorate and Commercial	Customer	Various meals and hospitality	Accepted	£100
26th April 2016	Head of Sales and Customer Experience and Team	Commercial	Customer	Wine bought and received at Event	Accepted	£90 (£122 bought, £32 received)
03rd June 2016	Procurement Manager	Procurement	Supplier	Race day at York	Declined	£250
28th July 2016	IT Manager, IT E-Commerce Manager, Digital Marketing Manager and Senior Marketing Manager	IT	Supplier	Evening meal	Accepted	£80 (£20 per person)
22nd August 2016	Executive Director	Commercial	Trade Body	Flowers and chocolates	Accepted	£30
02nd Sep 2016	National Accounts Manager - Early Years	Sales	Customer	4 bottles of wine at awards dinner	Accepted	£107
27th - 28th Sep 2016	Head of Business Change and IT, IT Manager and IT Systems Engineer	IT	Supplier	Evening meal on both nights	Accepted	£165 (£55 per person)
28th Sep 2016	Executive Director, Head of Sales and Customer Experience, Senior Marketing Manager	Commercial	Charitable Organisation	Afternoon tea during meeting	Accepted	£45
29th Nov 2016	Buyer - Fleet and Highways	Procurement	Supplier	Branded winter jacket	Accepted - Passed to Business Support for raffle	£54
19th Dec 2016	Supply Chain Analyst	Supply Chain	Supplier	6 bottles of alcohol	Accepted - Passed to Business Support for raffle	£40

FOR INFORMATION ONLY

This page is intentionally left blank

~~Exempt from Schedule 1A of the Information Act 1972.~~

Document is Restricted

This page is intentionally left blank

~~Exempt from Schedule 1 of the Access to Information 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

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

Document is Restricted

This page is intentionally left blank