

Your Ref.
Our Ref
Please Reply To **Kayley Sykes**
Telephone No (01924) 834912
Email kayley.sykes@ypo.co.uk
Date 17 February 2016

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

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

Dear Member

YPO AUDIT SUB-COMMITTEE – FRIDAY, 26 FEBRUARY 2016

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, 26 February 2016 in the YPO HQ, 41 Industrial Park, Wakefield** to consider the items set out in the agenda attached.

Would Members please note that a training session entitled External and Internal Audit Relationship Training will be provided prior to the meeting at 10.00 am.

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, 26 February 2016**

AGENDA

1. Chair's Introduction and Welcome.
2. Acceptance of Apologies for Absence.
3. Members' Declaration of Interest.
4. To approve, as a correct record, the Minutes of the meeting held on 6 November 2015. (Pages 1 - 5)
5. To note any items which the Chairman has agreed to add to the agenda on the grounds of urgency.
6. Annual Governance Statement. (Pages 7 - 58)
7. Pre-Audit Statement of Accounts. (Pages 59 - 96)
8. IT Programme Update. (Pages 97 - 98)
9. Internal Audit Annual Report 2015. (Pages 99 - 107)
10. Internal Audit Plan 2016. (Pages 109 - 118)
11. Local Audit and Accountability Act 2014 Joint Committee. (Pages 119 - 121)
12. 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 13 and 14 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972 as amended"
- IN PRIVATE**
13. Internal Audit Action Update. (Pages 123 - 125)
14. Risk Register. (Pages 127 - 208)
15. Date and Time of Next Meeting.
The next meeting of the YPO Audit Sub-Committee will be held on Friday 27 May 2016 at 10.30am.

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YORKSHIRE PURCHASING ORGANISATION AUDIT SUB-COMMITTEE

Friday 6th November 2015

Present: The Chair: Councillor Johnson (Wakefield MDC)
 Councillors Corden (Doncaster), Walker (Wigan), Waller (York)

1.	ELECTION OF CHAIR
	The Managing Director opened the meeting and requested nominations from Members for the position of Chair of the YPO Audit Sub-Committee for the forthcoming year. A nomination was received on behalf of Councillor Johnson (Wakefield MDC) and seconded.
2.	CHAIR'S INTRODUCTION & WELCOME
	The Chair, Councillor Johnson, welcomed all parties to the meeting.
3.	ACCEPTANCE OF APOLOGIES FOR ABSENCE
	Apologies for absence submitted prior to the meeting were accepted on behalf of Councillor Pillai (Calderdale) and Councillor O'Neill (Kirklees).
4.	MINUTES – 15TH MAY 2015
	The minutes of the YPO Audit Sub-Committee held on 15 th May 2015 were approved as a correct record. These minutes are for information purposes only as the meeting was not quorate.
5.	2016 DRAFT INTERNAL AUDIT PLAN TEMPLATE
	Consideration was given to a report of the s151 Officer which provided Members with details of the 2016 Draft Internal Audit Plan Template. Resolved – (1) That the 2016 Draft Internal Audit Plan Template be noted. (2) The final 2016 Internal Audit Plan will be submitted to the next Audit Sub-Committee on 26 th February 2016. (3) That an update on the IT Programme will be provided to each Audit Sub-Committee Meeting in 2016.
6.	ANNUAL AUDIT LETTER
	Consideration was given to a report of the Financial Controller. Appendix 1 provides members with the 2014 Annual Audit Letter which summarises the findings of the KMPG ISA260 report. Lizzie Wharton (Manager, KMPG) thanked YPO officers for their support

	<p>during the process.</p> <p>Resolved – (1) That the report and appendix be noted.</p> <p>(2) That the intention to issue public notice of the closure of the audit and public inspection period be noted.</p> <p>(3) That Internal Audit consider including a review of Health & Safety issues in the 2017/18 annual plan.</p>
7.	PROGRESS ON 2015 INTERNAL AUDIT PLAN
	<p>Consideration was given to a report which provided an update as to the progress made towards actions resulting from internal audits completed at YPO as part of the Annual Audit Plan by Wakefield Council’s Internal Audit.</p> <p>Full details of the audit work undertaken by Wakefield Council’s Internal Audit between May – October 2015 can be found in Appendix A.</p> <p>Resolved – (1) That the report be noted.</p> <p>(2) That an appendix containing the definitions of the audit opinions to be attached to all future reports relating to the Internal Audit Plan.</p>
8.	RISK MANAGEMENT PROCESS
	<p>Consideration was given to a report of the Executive Director seeking acceptance of the following recommendations in the Risk Management Process:</p> <p>Communicate our risk culture and risk appetite to the organisation so that everyone has a common understanding of them and how they influence our risk taking and decision making. This could be in the form of a short video statement by one of the Board members on SharePoint.</p> <p>Adopt the three step process of Objectives – Risks – Controls throughout the business planning process so that we identify the most relevant risks and proportionate controls.</p> <p>Publish guidance on what to consider and what to include in the ‘risk implications’ section of the report template and monitor usage.</p> <p>Use the workflow option on SharePoint (once implemented across YPO) to circulate draft reports for completion of, or consultation on the ‘implications’ sections.</p> <p>Introduce decision risk registers to support key decisions that set out the risks of taking action and the risks of not taking action.</p> <p>Nominate a member of the Board to be the Senior Information Risk Owner</p>

	<p>(SIRO).</p> <p>Produce an over-arching Information Management Strategy and Action Plan.</p> <p>Produce and publish a Retention Policy and Schedule.</p> <p>Carry out a risk assessment to identify our exposure to Social Media risk.</p> <p>Offer risk workshops to project teams as a way of raising awareness and engaging people in risk management across YPO. If successful, this could be extended to other teams.</p> <p>Introduce a risk and reward matrix and supporting guidance to help recognise and take advantage of opportunity risks.</p> <p>Upload risk registers to SharePoint (with relevant security and access permissions) and work with risk owners to identify key dates and triggers for review, which are then set on SharePoint.</p> <p>Consider the use of exception reports where the status of risks changes and agree triggers e.g. escalation from a medium to a high risk.</p> <p>Introduce a ‘three lines of defence’ model to map sources of assurance to risks and report the results in the Annual Governance Statement.</p> <p>Resolved – (1) That the recommendations for the Risk Management Process be approved by the Management Committee.</p> <p>(2) That members have sight of any high rated risks in future Risk Management Process reports.</p>
<p>9.</p>	<p>APPOINTMENT OF SIRO (SENIOR INFORMATION RISK OFFICER)</p>
	<p>Consideration was given to the report of the Executive Director on the appointment of a SIRO.</p> <p>Members were informed that the Board have formally designated the Executive Director, Paul Smith, as the Senior Information Risk Owner (SIRO).</p> <p>Resolved – That the report be noted.</p>
<p>10.</p>	<p>YEAR END CLOSEDOWN TIMETABLE</p>
	<p>Consideration was given to a report of the Managing Director which informed Members of the contents of the 2015 closedown timetable.</p> <p>The KPMG report to those charged with governance issued in April 2015 stated “Management have provided good quality draft accounts for audit. With the significant changes in the senior finance team it is a great achievement to produce the accounts to such a standard”.</p>

	<p>It was also noted that YPO has good financial reporting processes in place and this has helped ensure a smooth audit process, the quality of the working papers was good and officers resolved audit queries promptly.</p> <p>The Organisation plans to present the Audited Statement of Accounts for approval to the Audit Sub-Committee now planned for 22nd April 2016.</p> <p>Resolved – (1) That the Year End Closedown Timetable and plan be noted.</p> <p>(2) That members note the change of date for the Audit Sub-Committee from 27th May 2016 to 22nd April 2016.</p>
<p>11.</p>	<p>EXTERNAL AUDIT PLAN</p>
	<p>Consideration was given to a report of the Executive Director on the External Audit Plan. Appendix 1 contains the full details of the External Audit Plan.</p> <p>Members were informed by KPMG of the headlines and the two focus areas for the Audit.</p> <p>Resolved – That the 2015 External Audit Plan be noted.</p>
<p>12.</p>	<p>EXCLUSION OF THE PUBLIC & PRESS</p>
	<p>Resolved – That the public and press be excluded from the meeting during consideration of agenda items 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.</p>
<p>13.</p>	<p>RISK REGISTER</p>
	<p>A report of the Executive Director provided details of the Strategic Risk Register for YPO.</p> <p>The report noted that a review of the risk register and risk assessment has taken place in October 2015 and there are no substantial changes at this time.</p> <p>Resolved – That the report be noted.</p>
<p>14.</p>	<p>TENDER COMPLAINT REVIEW</p>
	<p>Consideration was given to the report of the Executive Director on the Review of a Supplier Tender Complaint.</p> <p>The report noted the background information and information about the tender process and award.</p> <p>An investigation found that the tender process was fully compliant with the Public Contracts Regulations 2006 and there is clear evidence to support this</p>

	<p>with the contract notice, ITT, contract award and tender evaluation.</p> <p>The outcome of the tender is beneficial to our members, customers and the public purse overall. Customers can buy a product that they are happy with at a much lower cost than before and no complaints about the products have been received.</p> <p>Resolved – (1) That the report be noted.</p> <p>(2) That the supplier receives a copy of the minutes taken from the Audit Sub-Committee meeting for Agenda Item 16.</p> <p>(3) Members noted the importance of YPO valuing relationships with suppliers and as an organisation will take action to remind all suppliers to sign up to email notifications for tenders using the YPO e-tendering tool.</p>
<p>15.</p>	<p>DATE AND TIME OF NEXT MEETING</p> <p>Resolved – That the next meeting of the YPO Audit Sub-Committee will be held on 26th February 2016 at 10.00am, at YPO Headquarters.</p>

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YPO
AUDIT SUB-COMMITTEE
TO BE HELD ON
26TH FEBRUARY 2016

TITLE: ANNUAL GOVERNANCE STATEMENT

REPORT OF: EXECUTIVE DIRECTOR

1. BACKGROUND INFORMATION

- 1.1 YPO is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. YPO also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, YPO is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 YPO has approved and adopted a Code of Corporate Governance that is consistent with the principles of the CIPFA / SOLACE Delivering Good Governance Framework 2007 and Addendum 2012. The Code has been reviewed and updated to reflect changes to the underlying legislation, the Accounts and Audit Regulations 2015; to make it consistent with the information published on the governance pages of the YPO website; and to update the list of associate members. Other than this there are no material changes to the Code, which is attached at Appendix 1.
- 1.4 To comply with the Accounts & Audit Regulations 2015 and the CIPFA / SOLACE Delivering Good Governance Framework YPO must ensure it has a sound system of internal control in place, and must review it annually. We must also review the effectiveness of our governance arrangements and report publicly on their compliance with our own 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 Statement, used in the production of the 2015 Annual Governance Statement, is attached at Appendix 2.
- 1.5 The results of the annual review are reported in an Annual Governance Statement for consideration, approval and publication with the Statement of Accounts. In seeking assurance on our governance arrangements YPO uses the 3 lines of defence model:

- 1st line of defence: Business Operations – everyday risk and control environment.
- 2nd line of defence: Oversight Functions – responsibilities and accountabilities, strategies, frameworks, policies, procedures, internal audit (may also be considered as 3rd line given that the function is provided by Wakefield MDC).
- 3rd line of defence: Independent Assurance Providers – internal audit (but see above), external audit, benchmarking and reviews by professional bodies.

1.6 If any deficiencies in our governance arrangements are identified during the review, these may need to be detailed in the Annual Governance Statement with suitable improvement actions. The 2015 Annual Governance Statement is attached at Appendix 3.

2. STRATEGIC IMPLICATIONS

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

3. FINANCIAL IMPLICATIONS

3.1 None.

4. LEGAL IMPLICATIONS

4.1 YPO has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

4.2 YPO is also required to comply with the Accounts and Audit Regulations 2015 (previously 2011) and the CIPFA / SOLACE Framework which has been given the status of proper practice, to conduct an annual review of the effectiveness of its system of internal control and its governance arrangements against our local Code of Practice and publish the results in an Annual Governance Statement, for approval by the body or committee, in this case the Audit Sub-Committee.

5. RISK IMPLICATIONS

5.1 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.

6. OPTIONS APPRAISAL

6.1 We must undertake this work to comply with legislation and proper practice.

7. RECOMMENDATIONS

7.1 The Audit Sub Committee considers and approves the 2015 Annual Governance Statement.

SERVICE DIRECTOR: PAUL SMITH, EXECUTIVE DIRECTOR

YPO
41 Industrial Park
Wakefield
WF2 0XE

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

CONTACT OFFICER: ANDREA HIRST-GEE, RISK AUDIT & ASSURANCE OFFICER

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 834984
E-mail address: andrea.hirst-gee@ypo.co.uk

APPENDICES:

- Appendix 1: Code of Corporate Governance*
- Appendix 2: Board Assurance Statement 2015*
- Appendix 3: 2015 Annual Governance Statement*

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Document Control Page

Document Type	Policy	
Document Ownership	Corporate	
Title of Document	Code of Corporate Governance	
Status	FINAL	
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Controlled by	Managing Director	
Created/ reviewed by / date:	Reviewed by Risk Audit and Assurance Officer	Jan 2016
Agreed by / date:	Board, Audit Sub Committee and Management Committee	19 th Jan 2016
Checked for compliance with contract standing orders and financial procedures / date:		
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Current Version	V4	
Distribution	All employees, Intranet, Internet (YPO website), SharePoint	
Replaces document	POL/FN056/v3 Annual Review & Update reflects updated legislation and guidance	

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

1. Introduction

- 1.1. YPO, established constitutionally as a Joint Committee of Local Authorities in 1974, operates under the aegis of the Local Authority (Goods and Services) Act 1970. The largest formally constituted Local Authority purchasing consortium in the UK, YPO is governed by a Management Committee made up of two elected representatives (councillors) from each of its 13 public sector founder member authorities, which are:

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

- 1.2 The organisation trades extensively outside the membership area and we are constantly establishing partnerships with more public sector authorities to help achieve efficiency savings for all by working together on common areas. As at December 2015 our expanding list of associate members includes:

Birmingham City Council
Blackpool Borough Council
Bury Metropolitan Borough Council
Cheshire East Council
Cumbria County Council
Durham County Council
East Riding of Yorkshire Council
Fylde City Council
Halton Borough Council
Hull City Council
Kettering Borough Council
Lancaster City Council
Lancashire Fire & Rescue Service
Lancashire Police
Leeds City Council
London Borough of Brent
London Borough of Harrow
London Borough of Hillingdon
Liverpool City Council
Malvern Hills District Council
Manchester City Council
Merseyside Fire & Rescue Service
North East Lincolnshire Council
North Lincolnshire Council
Northumberland County Council

Rochdale Metropolitan Borough Council
Sheffield City Council
South Yorkshire Fire and Rescue
South Yorkshire Police
Staffordshire County Council
Stockport Metropolitan Borough Council
Tameside Council
Trafford Metropolitan Borough Council
Walsall Council
Warrington Borough Council
West Midlands Fire & Rescue Service
West Yorkshire Fire and Rescue Service
West Yorkshire Police
Wiltshire Fire & Rescue Service
Wyre Council
Wyre Forest District Council

- 1.3 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.
- 1.4 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 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

Good Corporate Governance will demonstrate to the public and other stakeholders that YPO has its own house in order and is approaching the challenges it faces in a corporate and strategic way. Governance is about how YPO ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Corporate Governance comprises the systems and processes and cultures and values by which YPO is directed and controlled.

2.2. The Local Code of Governance

A joint Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) 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. Whilst corporate governance is a holistic concept it has been mapped out in the guidance note using six core principles.

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

2.3. Core Governance Principles of YPO

Principle 1: 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.

Principle 2: Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

Principle 3: Promoting values for the Joint Committee and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Principle 5: Developing the capacity and capability of Members and Officers to be effective.

Principle 6: Engaging with customers and member authorities to ensure robust public accountability.

3. Applying the Core Principles of Good Governance

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

Core Principle 1

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.

Supporting Principles	YPO commits itself to:
1.1 Exercising strategic leadership by developing and clearly communicating YPO's purpose and vision	(a) Develop and promote the purpose and vision.
	(b) Review on a regular basis the vision for delivering excellent customer service and the implications for our governance arrangements.
	(c) Publish an annual report (or similar documents) on a timely basis to communicate YPO's activities and achievements, its financial position and performance.
1.2 Ensuring that customers receive a high quality of service whether directly, or through framework provision	(a) Decide how the quality of service for customers is to be measured and make sure that the information needed to review service quality effectively and regularly is available.
	(b) Put in place effective arrangements to identify and deal with failure in service delivery.
1.3 Ensuring that YPO makes best use of resources and that investment in YPO gives excellent value for money.	(a) Decide how value for money is to be measured and make sure that the Management Committee has the information needed to review value for money and performance effectively.
	(b) Measure the environmental impact of policies, plans and decisions.

Core Principle 2

Members and officers working together to achieve a common purpose with clearly defined functions and roles

Supporting Principles	YPO commits itself to:
<p>2.1 Ensuring effective leadership throughout YPO and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.</p>	<p>(a) Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and YPO's approach towards putting this into practice.</p>
	<p>(b) Set out a clear statement of the respective roles and responsibilities of other YPO Members and of Senior Officers.</p>
<p>2.2 Ensuring that a constructive working relationship exists between Elected Members and Officers and that the responsibilities of Members and Officers are carried out to a high standard.</p>	<p>(a) Determine a scheme of delegation and reserve powers within the Management Agreement including a formal schedule of those matters specifically reserved for collective decision of the Management Committee, taking account of relevant legislation, and ensure that it is monitored and updated when required.</p>
	<p>(b) Make the Managing Director responsible and accountable to the Chair of the Management Committee for all aspects of operational management.</p>
	<p>(c) Develop protocols to ensure that the Chair of the Management Committee and Managing Director negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.</p>
	<p>(d) Make a Senior Officer of the lead authority (the S151 Officer) and a designated Director within YPO (Managing Director or delegated Officer) 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.</p>

Supporting Principles	YPO commits itself to:
	(e) Make a Senior Officer of the lead authority (usually the Monitoring Officer) responsible to the Management Committee for ensuring that agreed procedures are followed and that all applicable Statutes and Regulations are complied with.
2.3 Ensuring relationships between YPO and the Lead Authority are clear so that each knows what to expect of the other.	(a) Develop protocols to ensure effective communication between Lead Authority Members and Officers and YPO Members and Officers in their respective roles.
	(b) Set out the terms and conditions for remuneration of Members and Officers and an effective structure for managing the process, including an effective Remuneration Panel (if applicable).
	(c) Ensure that effective mechanisms exist to monitor service delivery.

Core Principle 3

Promoting values for the Joint Committee and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Supporting Principles	YPO commits itself to:
3.1 Ensuring YPO Members and Officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.	(a) Ensure that YPO’s leadership sets a tone for the organisation by creating a climate of openness, support and respect.
	(b) Ensure that standards of conduct and personal behaviour expected of Members and Officers, and work between Members, Officers, its partners and customers are defined and communicated through Codes of Conduct and Protocols.
	(c) Put in place arrangements to ensure that Elected Members and employees of YPO are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.
3.2 Ensuring that organisational values are put into practice and are effective.	(a) Develop and maintain shared values including leadership values for both the organisation and Officers reflecting customer expectations, and communicate these with Members, Officers and customers.
	(b) Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice
	(c) Develop and maintain an effective standards framework.
	(d) Use the organisation’s shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the organisation.
	(e) In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners’ behavior both individually and collectively.

Core Principle 4

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Supporting Principles	YPO commits itself to:
<p>4.1 Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.</p>	<p>(a) Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the organisation’s performance overall.</p>
	<p>(b) Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.</p>
	<p>(c) Put in place arrangements to safeguard Members and Officers against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.</p>
	<p>(d) Develop and maintain an effective Audit Committee (or equivalent), which is independent of the executive and scrutiny functions, or make other appropriate arrangements for the discharge of the functions of such a Committee.</p>
	<p>(e) Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.</p>
<p>4.2 Having good-quality information, advice and support to ensure that services are delivered effectively and are what the customer wants/needs.</p>	<p>(a) Ensure that those making decisions for YPO are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.</p>
	<p>(b) Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.</p>

Supporting Principles	YPO commits itself to:
4.3 Ensuring that an effective risk management system is in place.	(a) Ensure that risk management is embedded into the culture of YPO, with Members and managers at all levels recognising that risk management is part of their jobs.
	(b) Ensure that effective arrangements for whistle blowing are in place to which Members, staff and all those contracting with or appointed by YPO have access.
4.4 Using their legal powers established under the Joint Committee to the full benefit of stakeholders.	(a) Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine, but also strive to utilise their powers to the full benefit of their stakeholders.
	(b) Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on YPO by public law.
	(c) Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures and decision-making processes.

Core Principle 5

Developing the capacity and capability of Members and Officers to be effective

Supporting Principles	YPO commits itself to:
5.1 Making sure that Members and Officers have the skills, knowledge, experience and resources they need to perform well in their roles.	(a) Provide induction programmes tailored to individual needs and opportunities for Members and Officers to update their knowledge on a regular basis.
5.2 Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.	(a) Assess the skills required by Members and Officers and make a commitment to develop those skills to enable roles to be carried out effectively.
	(b) Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.
	(c) Ensure that effective arrangements are in place for reviewing the performance of the Executive as a whole and of individual Members and agreeing an action plan, which might, for example, aim to address any training or development needs.
5.3 Encouraging new talent for membership of YPO so that best use can be made of individuals' skills and resources in balancing continuity and renewal.	(a) Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the organisation.
	(b) Ensure that career structures are in place for Members and Officers to encourage participation and development.

Core Principle 6

Engaging with customers and member authorities to ensure robust public accountability.

Supporting Principles	YPO commits itself to:
6.1 Exercising leadership through a robust scrutiny function, which effectively engages customers and stakeholders, including partnerships, and develops constructive accountability relationships.	(a) Make clear to themselves, all staff and their customers to whom they are accountable and for what.
	(b) Produce an annual report.
6.2 Taking an active and planned approach to dialogue with and accountability to customers and elected members	(a) Ensure clear channels of communication are in place with customers and other stakeholders, and put in place monitoring arrangements and ensure they operate effectively.
	(b) Hold meetings in public unless there are good reasons for confidentiality.
	(c) On an annual basis, publish a performance plan giving information on YPO's, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.
	(d) Ensure that YPO as a whole is open and accessible and ensure that it has made a commitment to openness and transparency in all its dealings subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.
6.3 Making best use of human resources by taking an active and planned approach to meet responsibility to staff.	(a) Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision-making.

4. Annual Review and Reporting

- 4.1. Each year YPO will carry out a review of the effectiveness of our system of internal control and our governance arrangements in accordance with the Accounts & Audit Regulations 2015.
- 4.2. The purpose of the review is to identify the extent to which we comply with this Code of Corporate Governance, to provide assurance that our 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 2007' and 'Addendum 2012'. 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



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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 WMDC 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 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 statutory 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.

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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.

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Core Principle 1

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.

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)
1.1 Exercising strategic leadership by developing and clearly communicating YPO's purpose and vision	(a) Develop and promote the purpose and vision.	<ul style="list-style-type: none"> ➤ Vision used as a basis for business planning ➤ Stakeholder engagement and involvement ➤ Communication strategy in respect of strategic objectives has been developed, approved and implemented 	4	
	(b) Review on a regular basis the vision for delivering excellent customer service and the implications for our governance arrangements.	Record of the review of: <ul style="list-style-type: none"> ➤ the Organisations vision ➤ the Code of Corporate Governance 	4	
	(c) Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners	<ul style="list-style-type: none"> ➤ Partnership protocol including an agreement on the role and scope of each partner's contribution ➤ Strategic partnership Priorities ➤ Partnership arrangements 	4	

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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)
	(d) Publish an annual report (or similar documents) on a timely basis to communicate YPO's activities and achievements, its financial position and performance.	<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	
1.2 Ensuring that customers receive a high quality of service whether directly, or through framework provision	(a) Decide how the quality of service for customers is to be measured and make sure that the information needed to review service quality effectively and regularly is available.	<ul style="list-style-type: none"> ➤ An agreed set of quality standard measures for each service element and included in service plans ➤ Evidence that views of service users and non-users have been received ➤ Evidence that views have been taken into account in service planning and delivery 	4	
	(b) Put in place effective arrangements to identify and deal with failure in service delivery.	<ul style="list-style-type: none"> ➤ Regular reports on the progress of service delivery ➤ Performance trends are established and reported upon ➤ Formal complaints policy and procedures exist and are operating effectively ➤ Evidence that complaints have informed positive service improvement 	4	

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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)
<p>1.3 Ensuring that YPO makes best use of resources and that investment in YPO gives excellent value for money.</p>	<p>(a) Decide how value for money is to be measured and make sure that the Management Committee has the information needed to review value for money and performance effectively.</p>	<ul style="list-style-type: none"> ➤ Clear corporate requirement and instruction on how to measure VFM ➤ Corporate procurement policy and strategy ➤ Comparison of information on the organisations economy, efficiency and effectiveness of services with that provided by similar organisations ➤ Evidence that the results are reflected in the organisation’s performance plans and in reviewing the work of the organisation 	<p>4</p>	
	<p>(b) Measure the environmental impact of policies, plans and decisions.</p>	<ul style="list-style-type: none"> ➤ Clear corporate requirement and instruction on how to measure environmental impact 	<p>3</p>	<p>Further work required to fully embed ISO14001 into policies and decisions</p>

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Core Principle 2

Members and officers working together to achieve a common purpose with clearly defined functions and roles

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)
2.1 Ensuring effective leadership throughout YPO and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.	(a) Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and YPO's approach towards putting this into practice.	<ul style="list-style-type: none"> ➤ Published job descriptions for the Managing Director and Board of Directors ➤ Terms of Reference for the Committees ➤ Member/officer protocol ➤ Constitution 	4	
	(b) Set out a clear statement of the respective roles and responsibilities of other YPO Members and of Senior Officers.		4	
2.2 Ensuring that a constructive working relationship exists between Elected Members and Officers and that the responsibilities of Members and Officers are carried out to a high	(a) Determine a scheme of delegation and reserve powers within the Management Agreement including a formal schedule of those matters specifically reserved for collective decision of the Management Committee, taking account of	<ul style="list-style-type: none"> ➤ Scheme of delegation reviewed at least annually in the light of legal and organisational changes ➤ Standing orders and financial regulations which are reviewed on a regular basis 	4	

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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)
standard.	relevant legislation, and ensure that it is monitored and updated when required.			
	(b) Make the Managing Director responsible and accountable to the Chair of the Management Committee for all aspects of operational management.	<ul style="list-style-type: none"> ➤ Conditions of employment ➤ Up-to-date job description/ specification ➤ Appraisal arrangements ➤ Robust performance management system 	4	
	(c) Develop protocols to ensure that the Chair of the Management Committee and Managing Director negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.	<ul style="list-style-type: none"> ➤ Job descriptions ➤ Chair of Management Committee and Managing Director agree how best to establish and maintain effective communication 	3	This score has been amended to reflect the appointment of a new Chair of the Management Committee and the opportunity this provides to develop and embed new protocols, which are already underway.
	(d) Make a Senior Officer of the lead Authority (the S151 Officer) and a designated Director within YPO (Managing Director or delegated Officer) responsible to the Management Committee and for ensuring that appropriate advice is given on all financial matters,	<ul style="list-style-type: none"> ➤ Clear Section 151 responsibilities ➤ Up-to-date job description/ specification ➤ The organisation has complied with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government and has reported on it 	4	

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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)
	for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.	accordingly in its annual governance statement ➤ The organisation has complied with the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations and has reported on it accordingly in its annual governance statement		
	(e) Make a Senior Officer of the lead Authority (usually the Monitoring Officer) responsible to the Management Committee for ensuring that agreed procedures are followed and that all applicable Statutes and Regulations are complied with.	➤ Monitoring officer provisions ➤ Up-to-date job description/ specification	4	
2.3 Ensuring relationships between YPO and the Lead Authority are clear so that each knows what to expect of the other.	(a) Develop protocols to ensure effective communication between Lead Authority Members and Officers and YPO Members and Officers in their respective roles.	➤ Member/officer protocol	4	

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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)
	(b) Set out the terms and conditions for remuneration of Members and Officers and an effective structure for managing the process, including an effective Remuneration Panel (if applicable).	<ul style="list-style-type: none"> ➤ Scheme for member remuneration and allowances ➤ Robust pay and conditions policies and practices for employees ➤ Structured pay scales reflecting competence ➤ Established process for grading and appeals procedures 	4	
	(c) Ensure that effective mechanisms exist to monitor service delivery.	<ul style="list-style-type: none"> ➤ Key performance indicators have been established and approved for each service element and included in the business plan and are reported upon regularly ➤ Reports include detailed performance results and highlight areas where corrective action is necessary 	4	

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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)
	(d) Ensure that the organisation’s vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with key stakeholders, and that they are clearly articulated and disseminated	<ul style="list-style-type: none"> ➤ Business and financial planning processes established to deliver strategic objectives ➤ Protocols for consultation ➤ Statutory guidance is followed 	4	
	(e) When working in partnership, ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the organisation and ensure that there is clarity about the legal status of the partnership. Representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions	<p>Protocols for partnership working mean that for each partnership there is:</p> <ul style="list-style-type: none"> ➤ a clear statement of the partnership principles and objectives ➤ clarity of each partner’s role within the partnership ➤ definition of roles of partnership board members ➤ line management responsibilities for staff who support the partnership ➤ a statement of funding sources for joint projects and clear accountability for proper financial administration ➤ a protocol for dispute resolution within the partnership 	4	

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Core Principle 3

Promoting values for the Joint Committee and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

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)
3.1 Ensuring YPO Members and Officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.	(a) Ensure that YPO's leadership sets a tone for the organisation by creating a climate of openness, support and respect.	<ul style="list-style-type: none"> ➤ Codes of conduct, annual governance statement ➤ Conduct at meetings 	4	
	(b) Ensure that standards of conduct and personal behaviour expected of Members and Officers, and work between Members, Officers, its partners and customers are defined and communicated through Codes of Conduct and Protocols.	<ul style="list-style-type: none"> ➤ Members'/officers' code of conduct which acknowledges professional bodies' codes of conduct ➤ Performance appraisal ➤ Complaints procedures ➤ Anti-fraud and anticorruption policies are up to date and working effectively ➤ Induction for new members and staff on standard of behaviour expected 	4	
	(c) Put in place arrangements to ensure that Elected Members and employees of YPO are not influenced by prejudice, bias or conflicts of interest in dealing with different	<ul style="list-style-type: none"> ➤ Standing orders, financial regulations and codes of conduct, all reviewed and updated on a regular basis ➤ Register of interests (members and staff) 	4	

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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)
	stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.	<ul style="list-style-type: none"> ➤ Provision of ethical awareness training ➤ Procedures for dealing with conflicts of interest ➤ Up-to-date register of gifts and hospitality 		
3.2 Ensuring that organisational values are put into practice and are effective.	(a) Develop and maintain shared values including leadership values for both the organisation and Officers reflecting customer expectations, and communicate these with Members, Officers and customers	<ul style="list-style-type: none"> ➤ Codes of conduct ➤ Evidence of communicating shared values with members, staff, stakeholders and partners ➤ Whistleblowing arrangements are in place and protect individuals raising concerns 	4	
	(b) Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice	<ul style="list-style-type: none"> ➤ Codes of conduct 	4	
	(c) Develop and maintain an effective standards framework.	<ul style="list-style-type: none"> ➤ Terms of reference ➤ Regular reporting to members ➤ Examples of responding to complaints about behaviour 	4	

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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)
	(d) Use the organisation’s shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the organisation.	<ul style="list-style-type: none"> ➤ Decision-making practices ➤ Evidence that shared values have guided the decision making 	4	
	(e) In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners’ behavior both individually and collectively.	<ul style="list-style-type: none"> ➤ Protocols for partnership working ➤ Evidence of agreed values 	4	

Core Principle 4

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

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)
4.1 Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.	(a) Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the organisation’s performance overall.	<ul style="list-style-type: none"> ➤ The role of and responsibility for scrutiny have been established ➤ Agenda and minutes of scrutiny meetings ➤ Evidence of improvements 	4	

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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)
		to proposals as a result of scrutiny ➤ An effective internal audit function is resourced and maintained		
	(b) Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.	➤ Decision-making protocols ➤ Record of decisions and supporting materials ➤ Record of professional advice in reaching decisions	4	
	(c) Put in place arrangements to safeguard Members and Officers against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.	➤ Members' and officers' code of conduct which refers to a requirement to declare interests ➤ Minutes showing declarations of interest were sought and appropriate declarations made	4	
	(d) Develop and maintain an effective Audit Committee (or equivalent), which is independent of the executive and scrutiny functions, or make other appropriate arrangements for the discharge of the functions of such a Committee.	➤ Terms of reference ➤ Membership ➤ Training for committee members	4	

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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)
	(e) Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.	<ul style="list-style-type: none"> ➤ Complaints procedure ➤ Evidence of changes/ improvements as a result of complaints received and acted upon 	4	
4.2 Having good-quality information, advice and support to ensure that services are delivered effectively and are what the customer wants/needs.	(a) Ensure that those making decisions for YPO are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical and financial issues and their implications.	<ul style="list-style-type: none"> ➤ 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 that are adhered to 	4	
	(b) Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.	<ul style="list-style-type: none"> ➤ The organisation complies with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government and reports accordingly in its annual governance statement ➤ Record of decision making and supporting materials ➤ Meeting reports show details of advice given 	4	

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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)
4.3 Ensuring that an effective risk management system is in place.	(a) Ensure that risk management is embedded into the culture of YPO, with Members and managers at all levels recognising that risk management is part of their jobs.	<ul style="list-style-type: none"> ➤ Risk management protocol ➤ Risk management strategy/ policy has been formally approved and adopted and is reviewed and updated on a regular basis ➤ Financial standards and regulations ➤ Counter-fraud arrangements are in place and operating effectively 	4	
	(b) Ensure that effective arrangements for whistle blowing are in place to which Members, staff and all those contracting with or appointed by YPO have access.	<ul style="list-style-type: none"> ➤ A whistleblowing policy exists and is reviewed on a regular basis ➤ The policy has been made available to members of the public, employees, partners and contractors 	4	
4.4 Using their legal powers established under the Joint Committee to the full benefit of stakeholders.	(a) Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine, but also strive to utilise their powers to the full benefit of their stakeholders.	<ul style="list-style-type: none"> ➤ Constitution ➤ Monitoring officer provisions 	4	
	(b) Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on YPO by public law.	<ul style="list-style-type: none"> ➤ Record of legal advice provided by officers 	4	

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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)
	(c) Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures and decision-making processes.	<ul style="list-style-type: none"> ➤ Monitoring officer provisions ➤ Job description / specification 	4	

Core Principle 5

Developing the capacity and capability of Members and Officers to be effective

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)
5.1 Making sure that Members and Officers have the skills, knowledge, experience and resources they need to perform well in their roles.	(a) Provide induction programmes tailored to individual needs and opportunities for Members and Officers to update their knowledge on a regular basis.	<ul style="list-style-type: none"> ➤ Training and development plan ➤ Induction programme ➤ Access to update courses / information / briefings on new legislation 	4	

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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)
5.2 Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.	(a) Assess the skills required by Members and Officers and make a commitment to develop those skills to enable roles to be carried out effectively.	<ul style="list-style-type: none"> ➤ Training and development plan ➤ Performance reviews of officers and members 	4	
	(b) Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.	<ul style="list-style-type: none"> ➤ Training and development plan reflects requirements of a modern member including: <ul style="list-style-type: none"> - the ability to scrutinise and challenge - the ability to recognize when outside advice is required - advice on how to act as an ambassador for the community - leadership and influencing skills 	4	
	(c) Ensure that effective arrangements are in place for reviewing the performance of the Executive as a whole and of individual Members and agreeing an action plan, which might, for example, aim to address any training or development needs.	<ul style="list-style-type: none"> ➤ Performance management system ➤ Staff development plans linked to staff appraisals 	4	

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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)
5.3 Encouraging new talent for membership of YPO so that best use can be made of individuals' skills and resources in balancing continuity and renewal.	(a) Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the organisation.	<ul style="list-style-type: none"> ➤ Strategic partnership frameworks ➤ Stakeholders' forums' terms of reference 	4	
	(b) Ensure that career structures are in place for Members and Officers to encourage participation and development.	<ul style="list-style-type: none"> ➤ Succession planning 	4	

Core Principle 6

Engaging with customers and member authorities to ensure robust public accountability.
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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)
6.1 Exercising leadership through a robust scrutiny function, which effectively engages customers and	(a) Make clear to themselves, all staff and their customers to whom they are accountable and for what.	<ul style="list-style-type: none"> ➤ Strategy 	4	

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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)
stakeholders, including partnerships and develops constructive accountability relationships.	(b) Produce an annual report.	➤ Annual report	4	
6.2 Taking an active and planned approach to dialogue with and accountability to customers and elected members	(a) Ensure clear channels of communication are in place with customers and other stakeholders, and put in place monitoring arrangements and ensure they operate effectively.	<ul style="list-style-type: none"> ➤ Strategy ➤ Survey 	4	
	(b) Establish a clear policy on the types of issue on which we will meaningfully consult on or engage with the stakeholders and service users, including a feedback mechanism for those consultees to demonstrate what has changed as a result	<ul style="list-style-type: none"> ➤ Partnership framework ➤ Communication strategy 	4	
	(c) On an annual basis, publish a performance plan giving information on YPO's, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.	<ul style="list-style-type: none"> ➤ Annual report ➤ Annual financial statements ➤ Corporate plan ➤ Annual business plan 	4	

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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)
	(d) Ensure that YPO as a whole is open and accessible and ensure that it has made a commitment to openness and transparency in all its dealings subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.	<ul style="list-style-type: none"> ➤ Constitution ➤ Freedom of Information Act publication scheme ➤ Organisation website 	4	
6.3 Making best use of human resources by taking an active and planned approach to meet responsibility to staff.	(a) Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision-making.	<ul style="list-style-type: none"> ➤ Constitution ➤ Adherence to best practice standards in recruitment and staff terms and conditions 	4	

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Appendix A

KEY CONTROL ASSURANCE FOR THE ANNUAL GOVERNANCE STATEMENT 2015

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 2015.

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 2015 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		
Paul Smith	Executive Director, Finance, IT and Procurement		
Jo Marshall	Executive Director, Commercial		
Julie Wray	Assistant Director HR & Logistics		

**ANNUAL
GOVERNANCE
STATEMENT 2015**

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Document Type		
Document Ownership		
Title of Document		
Status		
Reference number		
Controlled by		
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Checked for compliance with contract standing orders and financial procedures / date:		
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Publication date		
Next Review date		
Current Version	V0.5	
Distribution		
Replaces document		

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1. SCOPE OF RESPONSIBILITY

- 1.1. YPO is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. YPO also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility, YPO is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3. 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. A copy of YPO's Code is on our website at www.ypo.co.uk or can be obtained by telephoning 01924 834984.
- 1.4. This statement explains how YPO has complied with the Code and also meets the requirements of Accounts and Audit Regulations 2015, Regulation 6 which requires all relevant bodies to prepare an Annual Governance Statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1. The governance framework comprises the systems and processes, culture and values by which YPO is directed and controlled and the activities through which it accounts to, engages with and leads its communities. It enables YPO to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of YPO's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3. The governance framework has been in place at YPO for the year ended 31st December 2015 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK

- 3.1. There are six core principles that good governance is based on:
 1. Focusing on the purpose of the Organisation and owning authorities and on outcomes for its customers and creating and implementing a vision for the Organisation.
 2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
 3. Promoting values for the Organisation and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
5. Developing the capacity and capability of Members and Officers to be effective.
6. Engaging with owning authorities, customers, suppliers and other stakeholders to ensure robust public accountability.

3.2. The following section describes the key elements of the systems and processes that comprise YPO's governance arrangements which were in place during 2015, set out against the six core principles identified in paragraph above.

3.3. Core Principle 1 - Focusing on the purpose of the Organisation and owning authorities and on outcomes for its customers and creating and implementing a vision for the Organisation.

3.3.1. 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:

"That every single public organisation achieves the best possible value for money when procuring its goods and services".

The vision is integral to delivery of the Organisation's development and the continued transformation to meet current and future needs and expectations.

3.3.2. 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. 2015 was the first year of a new three year strategy 2015 – 2017 'Forward Thinking, Outward Looking'.

3.3.3. YPO communicates its financial position, performance and achievements through the publication of an Annual Report and Statement of Accounts.

3.3.4. YPO has obtained ISO14001 (Environmental Management Systems) which aids in measuring and managing the Organisation's environmental impact and aspects.

3.3.5. 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.

3.3.6. 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.

3.3.7. 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.

3.4. Core Principle 2 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

3.4.1. 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

- 3.4.2. 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.
- 3.4.3. 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.
- 3.4.4. The Managing Director has a clear role, responsibility and duty as specified in the Scheme of Delegation and the Finance Procedure Rules for day to day financial management and adherence.
- 3.4.5. 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.
- 3.4.6. YPO has service level agreements in place with the Lead Authority covering the expected service delivery for HR, Committee Services, Finance, Internal Audit and Transport Services. These were reviewed during 2015 as appropriate.
- 3.4.7. 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.
- 3.4.8. All YPO employees have conditions of employment and job descriptions which set out their roles and responsibilities and are subject to the Organisation's pay and grading structure.
- 3.5. **Core Principle 3 – Promoting values for the Organisation and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**
 - 3.5.1. 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.
 - 3.5.2. YPO has adopted the process of completing an annual assessment of governance arrangements and producing an Assurance Statement based on this assessment which is signed off by the Board of Directors.
 - 3.5.3. YPO has developed the following policies which are applicable to all Officers and are reviewed and updated as appropriate. These are based on the principles of good governance, shared values, expected standards of conduct and ethical principles:
 - Anti-Fraud and Bribery Policy and Fraud Response Plan
 - Business Continuity Management Policy
 - Code of Corporate Governance
 - Complaints Procedure
 - Standing Orders for Contracts and Financial Procedure Rules
 - Recruitment and Selection Policy and Procedures

- Disciplinary Procedures
- Whistleblowing Code of Practice
- Employee Code of Conduct
- Register of Employee Interests Policy
- Gift and Hospitality Policy
- Risk Management Policy and Strategic Framework
- Access to Information Policy
- Data Protection Policy
- Equality and Diversity Policy
- Health and Safety Policy
- Sustainable Procurement Policy
- Environmental Policy
- Security Policy
- Use of Electronic Equipment Policy

Members are also required to comply with the policies of their own authority.

3.5.4. YPO is committed to the highest possible standards of openness, probity and accountability. In line with this commitment YPO operates a Complaints Procedure and a Whistleblowing Code of Practice which enables anyone with concerns about any aspects of YPO's business to come forward and voice those concerns.

3.6. Core Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

3.6.1. 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.

3.6.2. 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.

3.6.3. 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.

3.6.4. 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: in 2015 the Board designated an Executive Director as the Senior Information Risk Owner (SIRO) in accordance with ICO best practice.

3.7. Core Principle 5 - Developing the capacity and capability of Members and Officers to be effective.

3.7.1. 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.

3.7.2. All Members and Officers are subject to an induction programme and are required to continuously identify training needs relevant to their role.

- 3.7.3. Officers have an annual appraisal that includes performance against objectives and competencies and reviewing and updating personal development plans.
- 3.7.4. YPO has in place an apprenticeship scheme which encourages new talent at YPO. Job vacancies are advertised on the YPO website.
- 3.8. **Core Principle 6 - Engaging with owning authorities, customers, suppliers and other stakeholders to ensure robust public accountability.**
- 3.8.1. YPO effectively engages with customers, suppliers, stakeholders and local people 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.
- 3.8.2. YPO Committee Meetings are held in public with report items considered in private only where appropriate to do so in line with relevant legislation.
- 3.8.3. 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.
- 3.8.4. 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.
- 3.8.5. 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.

4. REVIEW OF EFFECTIVENESS

4.1. YPO has responsibility for conducting, 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 executive 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 was achieved through the following:

4.1.1. 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 2015 is as follows:

"From the work undertaken by Internal Audit during 2015, key controls were found to be adequate 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 2015 AGS".

4.1.2. 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.

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In March 2015 KPMG issued a report to those charged with governance (ISA260) which included a Value for Money Opinion and concluded that the Organisation has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In April 2015 KPMG issued an unqualified opinion on YPO's 2014 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.

- 4.1.3. In 2015 the Management Committee received and approved a number of reports and policies, including the 2015 business plan and budget. Audit Sub-Committee, Executive Sub-Committee and the Scrutiny Sub-Committee met regularly throughout the year to gain further assurances and to seek clarification on specific areas where necessary. The Members' Joint Consultative Committee (JCC) also met regularly throughout the year to discuss employee related topics.
- 4.1.4. The Organisation held regular meetings with the Statutory Monitoring Officer (Wakefield Council) to ensure compliance with legal requirements and to assist in the effective working relationship between YPO and the Lead Authority.
- 4.1.5. The Strategic and Operational Risk Registers were regularly updated throughout the year to ensure they accurately reflected the risks faced by the organisation and regular reports were issued on this subject to both Board and Audit Sub-Committee. There has been a focus on raising awareness of fraud risk and the Organisation has in place an Anti-Fraud and Bribery risk assessment which is reviewed regularly.
- 4.1.6. A Health and Safety Annual Improvement Plan was agreed at a Health and Safety Committee meeting in 2014 and progress continued to be made on delivering improvements throughout 2015. Updates as to the progress made against the plan were provided to the Health and Safety Committee, and the Health & Safety Officer has completed a summary of all work carried out in 2015.
- 4.1.7. The Member and Officer training programme was carried out throughout 2015. All Member training was timetabled following consultation with the Chair of the appropriate Sub-Committee and was delivered by experts in the field. The topics included Business Planning, Procurement Processes, Risk Management, Project Management at YPO, Employment Law, External and Internal Audit Relationship, and Financial Management. The training has been well received. YPO has also embarked on a journey which underpins our Customer Connected Strategy when it became a member of the Institute of Customer Services. A further 100 employees completed the First impressions course during 2015.
- 4.1.8. YPO Members are required to comply with the Code of Conduct for their Member Authority; we are unaware of any breaches of this Code by YPO Members.
- 4.1.9. As part of the review of overall effectiveness, in December 2015 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.
- 4.1.10. 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. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

5.0 SIGNIFICANT GOVERNANCE ISSUES

5.1 In considering the significant internal control issues contained within the 2014 Annual Governance Statement the following enhancements have been made during 2015.

Key Improvement Area	Core Principle	Supporting Principle	Lead Officer	Update on Position	Carry Forward for 2015	Reference
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	A number of measures have been put in place and further work is in progress to more fully embed ISO14001 (Environmental Management) into policy making and decisions.	Yes	AGS-2014-007

5.2 This Annual Governance Statement and supporting documentation provides evidence of improvements in YPO's governance arrangements in 2015. Following completion of Assurance Statements by the Board of Directors, it is acknowledged that in 2015 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

Better value, delivered.





YPO
AUDIT SUB-COMMITTEE
TO BE HELD ON
26TH FEBRUARY 2016

SUBJECT: STATEMENT OF ACCOUNTS 2015

REPORT OF: HEAD OF FINANCE

1 PURPOSE OF REPORT

1.1 To present the pre-audit Statement of Accounts for 2015.

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, 2011 and taking into account relevant accounting codes of practice and applicable accounting standards, a Statement of Accounts has been prepared.

4.2 Public advertisements have been placed and the accounts will be available for public inspection between 29th February and 29th March. The website will also contain the same information as the public advertisement.

4.3 The audit is expected to commence on 7^h March and will conclude on or around 24th March.

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

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4.5 Property valuations were obtained from Norfolk Property Services as at 31st December 2015 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.

5.2 Not to agree a Statement of Accounts will be in breach of the Accounts and Audit Regulations 2011 and is not recommended.

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 2015.

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: STEVEN HALL, HEAD OF FINANCE

YPO
41 Industrial Park
Wakefield
WF2 0XE

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

APPENDICES:

Appendix 1: Draft Statement of Account 2015

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YORKSHIRE PURCHASING ORGANISATION



**PRE- AUDIT
STATEMENT
OF ACCOUNTS
2015**

41 Industrial Park•Wakefield•WF2 OXE

Foreword and Financial Summary 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 2015. 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 thirty one 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
London Borough of Brent	2015
Walsall Council	2015
Tameside Council	2015
Lancaster City Council	2015

Foreword and Financial Summary by the Managing Director

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

Local Authorities are governed by a rigorous structure of controls to provide stakeholders with the confidence that public money has been properly accounted for. As part of this process of accountability, the Organisation is required to produce a set of accounts in order to inform stakeholders that it has properly accounted for all public money it has received and spent and that its financial standing is on a secure footing.

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 2015 of the assets and liabilities recognised by the Organisation. The net assets of the Organisation (assets less liabilities) are matched by the reserves held by the Organisation.

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

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

Foreword and Financial Summary by the Managing Director

4. FINANCIAL SUMMARY

The 2015 budget approved in November 2014 was for a turnover of £121.8m and a surplus of £8.8m, excluding any income for pensions interest or expenditure financed from earmarked reserves.

Invoiced sales for the year are £117.4m and the reported surplus on trading of £9.4m compares favourably with the target of £8.8m excluding any income for pensions interest or expenditure financed from earmarked reserves.

Income from stock and framework contracts at £4.9m were over the budget of £4.8m, mainly due to professional services contributions being higher than expected.

Trade debtors are at £7.8m are £2.8m lower than in 2014, as invoiced sales have remained in line with last year the decrease is due to tighter credit control processes.

During 2015 a VAT refund of £0.912m was received against the overdeclaration of sales VAT on Phonics matched funding initiative.

During the year there was capital expenditure of £0.79m, all funded by in year profits.

Operating costs for 2015 were £28.7m, £0.1m over budget. The main variances were people spend coming in £0.4m over budget offset against financing costs under budget by (£0.2m) - as a result of the before mentioned VAT refund.

An agreed dividend distribution of £9.139m for the trading year 2014 was distributed in September 2015. This distribution, as last year, included all customers.

No acquisitions or discontinuation of operations were made during 2015.

5. RETIREMENT BENEFITS

The value of the organisation's retirement benefits liability as at 31 December 2015 was £15.9 million (31 December 2014 £17.7 million) this decrease in liability is attributable to the change in the discounting rate in Financial assumptions as detailed in note 7. The change in assumptions has led to actuarial gains which exceeds the increase in the liability. The employer's contribution rate was 12.1% in 2015. (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 employers 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 2015 financial year was given approval by the Management Committee at the meeting in November 2014. The budget was built on assumptions of growth in core business keeping the Operating Costs to Sales ratio at 22.6% which has gone up by 1% in 2015 performance.

A dividend distribution of £9.139m declared in respect of the 2014 trading year, was distributed in September 2015 which reflected the increased performance during 2014. This included a non cash loyalty bonus of £2.3m payable to individual customers by way of a voucher to be used against future purchases of product.

2015 marked the first year of the current Three Year Strategy approved by the Management Committee. The profit target of £8.8m approved for the first year has been exceeded by £0.6m, whilst making significant investments in the business infrastructure, providing a stable platform for continual delivery of the new Three Year Strategy which started in January 2015.

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 2015 between the above companies are classed as related party transactions.

Foreword and Financial Summary by the Managing Director

7. MEDIUM TERM FINANCIAL STRATEGIES

The 2016 budget was approved by the Committee in November 2015 as the second year of a new three year strategy. This strategy is again based on continuous turnover growth through developing new markets and new offerings. The financial plan will support this investment in new business, whilst controlling costs to ensure that profitability and return to members is maintained and further enhanced.

Simon Hill
Managing Director
dd/mm/yyyy

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 2015 and its Income and Expenditure for the year then ended.

.....

JUDITH BADGER CPFA
Assistant Chief Executive, Resources & Governance, City of Wakefield MDC

APPROVAL OF THE ACCOUNTS

As the Chair of the body considering the Yorkshire Purchasing Organisation's Statement of Accounts for 2015, I certify that the Accounts have been approved by the Management Committee and are authorised for issue.

.....

MARTYN JOHNSON
Chairman YPO Audit Sub-Committee

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.

2014 Re-Styled	£'000											Note
	Usable Reserves			Unusable Reserves								
	General Fund Balance	Capital Receipt Reserve	Internal Investment Reserve	Joint Committee Capital Adjustment Account	Earmarked Pension Reserve	Earmarked Accumulated absences account	Revaluati on Reserve	Total Usable reserves	Total Unusable reserves	Total Reserves		
Balance as at 31 December 2013	25,328	85	3,431	11,853	(17,861)	(42)	240	28,844	(5,811)	23,034		
Movement in Reserves during 2014												
Surplus or (Deficit) on Operations	406						-	406	0	406		
Other Comprehensive Income					763		(172)	0	591	591		
Total Comprehensive Expenditure and Income	406	0	0	0	763	0	(172)	406	591	996		
Adjustments between accounting basis and funding basis under regulation	-						-	-	-	-		
Net Increase / (Decrease) before transfer to Earmarked Reserves	406	0	0	0	763	0	(172)	406	591	996		
Transfer (to) / from Earmarked Reserves	3,774		(1,601)	(590)	(1,554)	(27)	(5)	2,176	(2,176)	(0)		
Increase / (Decrease) in Movement in Year	4,179	0	(1,601)	(590)	(791)	(27)	(177)	2,578	(1,586)	992		
Balance as at 31 December 2014	29,507	85	1,830	11,263	(18,652)	(69)	62	31,422	(7,396)	24,026	13	

2015	£000's											Note
	Usable Reserves			Unusable Reserves								
	General Fund Balance	Capital Receipt Reserve	Internal Investment Reserve	Joint Committee Capital Adjustment Account	Earmarked Pension Reserve	Earmarked Accumulated absences account	Revaluati on 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	30,301	85	2,303	11,014	(16,827)	(112)	0	32,689	(5,926)	26,765		

* 2014 movement in reserves statement re-stated due to unfunded pension scheme obligations overstated by Actuary.

Comprehensive Income and Expenditure Account

2014 Re-stated £'000		2015 £'000	Note
120,985	<i>Invoiced Turnover</i>	117,404	1(b),6
<u>(90,510)</u>	<i>Cost of Sales</i>	<u>(86,673)</u>	
30,475	<i>Gross Margin</i>	30,731	
226	Discounts	199	
5,365	Rebates	4,902	1(b),6
2,195	Other Income	2,310	1(b),6
<u>38,261</u>	<i>Gross Surplus</i>	<u>38,142</u>	
	<i>Operating Expenses</i>		
(15,658)	Employees	(16,766)	
(1,027)	Premises	(1,078)	
(4,787)	Supplies and Services	(6,037)	
(4,891)	Transport	(4,725)	
(164)	S.L.A. Costs	(179)	
(1,064)	Financial and Miscellaneous	1,057	
(835)	Depreciation and revaluation increase/(decrease)	(1,048)	1(e),8
(801)	Pension service gain(cost) net of charges made to the general fund	(1,051)	1(h),7
<u>(29,227)</u>	<i>Net Operating Expenditure</i>	<u>(29,827)</u>	
<u>9,034</u>	<i>Surplus/(deficit) on trading operations</i>	<u>8,316</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>		
(753)	Pensions Interest Cost and Expected Return on Pension Assets	(624)	1(h),7
88	Interest Receivable	80	
(7,879)	Dividend paid	(8,472)	
(85)	Set-up and running costs transferred to Limited Company		
<u>(8,629)</u>		<u>(9,016)</u>	
<u>406</u>	<i>Surplus/(Deficit) on provision of service</i>	<u>(701)</u>	
	<i>Other Comprehensive income and expenditure</i>		
763	Actuarial gains / (losses) on pension assets / liabilities	3,500	
<u>(172)</u>	Gains / (losses) on revaluations of PPE and depreciation	<u>(60)</u>	
591		3,440	
<u>996</u>	<i>Total comprehensive Income and Expenditure</i>	<u>2,739</u>	

BALANCE SHEET

The Balance Sheet shows the value as at 31st December 2015 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.

Restated

Restated

31st Dec 2014 £'000		31st Dec 2015 £'000	Note
ASSETS AND LIABILITIES			
Long term Assets			
Property, Plant and Equipment			
9,877	Land and Buildings	9,240	1(e),8
666	Vehicles, Furniture & Equipment	1,032	1(e),8
108	Intangible Assets	69	1(e),8
10,651	Total Long Term Assets	10,341	
Current Assets			
10,631	Inventories	12,544	1(m),9
14,301	Short term debtors	11,392	1(u),10
15,379	Cash and cash equivalents	17,237	
40,312	Total Current Assets	41,172	
Current Liabilities			
(8,285)	Short term creditors	(7,921)	1(v),11
(8,285)	Total Current Liabilities	(7,921)	
32,027	Net Current Assets	33,251	
Long term Liabilities			
(18,652)	Liability relating to Defined Benefit Pension Scheme	(16,827)	1(h),7
24,026	Net Assets	26,765	
Financed by:			
Usable Reserves			
29,507	General Fund	30,302	
85	Usable Capital Receipts Reserve	85	1(g),13
1,830	Internal Investment reserve	2,303	1(g),13
Unusable Reserves			
11,263	Joint Committee Capital Adjustment Account	11,014	1(g),13
(18,652)	Pension Reserve	(16,827)	1(h),7,13
(69)	Earmarked Accumulated Absences Account	(112)	1(g),13
62	Revaluation Reserve	0	1(g),13
24,026	Total Reserves	26,765	

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.

<u>2014</u> <u>£'000</u>		<u>2015</u> <u>£'000</u>
<u>406</u>	Net surplus/(deficit) on the provision of service	<u>(701)</u>
	Adjustment to the net surplus/(deficit) for non cash movements	
835	Depreciation and revaluation increase/(decrease)	1,048
(818)	(Increase)/Decrease in Inventories	(1,912)
(1,101)	(Increase)/Decrease in Debtors	2,910
1,554	(Increase)/Decrease in Pension Liability	1,675
128	Increase/(Decrease) in Creditors	(364)
(1,339)	Redemption of loyalty vouchers	(1,272)
<u>(742)</u>		<u>2,084</u>
	Adjustments for items included in the net surplus/(deficit) that are financing/investing activities	
8,190	Proceeds from sale of PPE	8,339
<u>8,190</u>	Dividend payment	<u>8,339</u>
<u>7,854</u>	Net cash flows from operating activities	<u>9,722</u>
	Investing Activities	
(242)	Purchase of PPE	(798)
0	Proceeds from Sale of PPE	0
<u>(242)</u>		<u>(798)</u>
	Financing Activities	
(6,851)	Dividends paid to Members	(7,067)
<u>(6,851)</u>		<u>(7,067)</u>
<u>761</u>	Net Increase/(Decrease) in Cash and Cash Equivalents	<u>1,857</u>
14,618	Cash and Cash Equivalents at the beginning of the reporting period	15,379
<u>15,379</u>	Cash and Cash Equivalents at the end of the reporting period	<u>17,237</u>

Note on operating activities		
	The cash flows from operating activities include the following items	
88	Interest Receivable	80
88		80

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

The Organisation is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and Service Reporting Code of Practice 2014/15, 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 17th December 2015, 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	2015
41 Industrial Park	47 years
Flanshaw Way	44 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.

Notes to the Core Financial Statements

h. EMPLOYEE BENEFITS

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

Benefits payable during employment

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

Termination Benefits

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

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

Post Employment Benefits

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

The Local Government Pension Scheme

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

Liabilities are discounted to their value at current prices, using a discount rate of 3.5% on funded liabilities and 3.4% 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 2015.

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

During 2014 the revised IAS 19 Defined Benefits Plan came into force which has a material impact on the reported pensions figures. The change affects the expected return on assets and resulted in a change to the charge to the profit and loss account. The changes have been applied when calculating 2015 pension costs and 2014 service and interest costs.

Changes to IAS1 presentation of financial statements and IFRS7 financial instruments disclosures have not affected this statement of accounts.

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

The Code of Practice on Local Authority Accounting 2014/15 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 2016 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 £1.62m.

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 and is assumed to be negligible due to the relative stability in exchange rates between the US dollar and sterling.

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

During 2015 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 2015 was £117.4m, £4.4m below the budget for the year and down on last year by £3.5m. A main contributor to this is Directs Furniture and catering sales and all the stock categories.

A VAT refund of £0.912m was received in the year, this related to an over declaration sales VAT for the Phonics matched funding initiative.

An agreed dividend distribution of £9.139m for the trading year 2014 was distributed in September 2015. This distribution included all customers. As at the 31st December 2015 there was a balance of £387K 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 2015 was 12.1%. Employees contributions January to December 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 2014 £'000	Unfunded Restated 2014 £'000	Total Restated 2014 £'000	Funded 2015 £'000	Unfunded 2015 £'000	Total 2015 £'000
Comprehensive Income and Expenditure Account						
Cost of Service						
Current Service Cost	2,226	-	2,226	2,567	0	2,567
Past Service (Gain)/Cost	57	-	57	80	0	80
Curtailment (Gain)/Loss	-	-	0	-	0	0
Financing and investment income and Expenditure						
Net interest Expense	713	40	753	592	32	624
Total Post Employment Benefit Charged to the surplus or Deficit on the Provision of Services	2,996	40	3,036	3,239	32	3,271
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	(2,007)		(2,007)	232	0	232
Actuarial (Gains) and losses-demographic assumptions	(1,858)	31	(1,827)	0	0	0
Actuarial (Gains) and losses-experience	(629)	8	(621)	(274)	(6)	(280)
Actuarial (Gains) and losses-financial assumptions	3,686	6	3,692	(3,436)	(16)	(3,452)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	2,188	85	2,273	(239)	10	(229)
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	(2,996)	(40)	(3,036)	(3,239)	(32)	(3,271)
Actual amount charged against the General Fund balance for pensions in the year:						
- employer's contributions to the pension scheme	1,361		1,361	1,532		1,532
-retirement benefits payable to pensioners		121	121		64	64
Total Charge against the General fund	(1,635)	81	(1,554)	(1,707)	32	(1,675)

* 2014 restated due to a change in the Unfunded Pensions Liability due to Actuarial valuation error.

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

	Males		Females	
	2014	2015	2014	2015
Rating to base table	0	0	0	0
Scaling to base table rates	105%	105%	105%	100%
Cohort improvement factors	CMI 2012	CMI2012	CMI 2012	CMI2012
Minimum underpin to improvement factors	1.25%	1.50%	1.25%	1.50%
Future lifetime from age 65 (currently aged 65)	22.5	22.6	25.4	25.5
Future lifetime from age 65 (currently aged 45)	24.7	24.8	27.7	27.8

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	
	2014 £000s	2015 £000s	2014 (Restated) £000s	2015 £000s
Pension Assets and Liabilities Recognised in the Balance Sheet				
Fair value of assets	70,337	71,953	0	0
Present value of the defined benefit obligation	(88,018)	(87,863)	(971)	(917)
Net liability arising from defined benefit obligation	(17,681)	(15,910)	(971)	(917)

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.

	<u>2014</u> £'000	<u>2015</u> £'000
Balance at 1st January	65,773	70,337
Interest income	2,888	2,452
Remeasurement gains/ (losses) on assets	2,007	(232)
Employer contributions	1,417	1,532
Contributions by scheme participants	739	790
Benefits paid	(2,487)	(2,926)
Balance at 31st December	70,337	71,953

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

	Funded Liabilities		Unfunded Liabilities	
	<u>2014</u> £'000	<u>2015</u> £'000	<u>2014 Re-stated</u> £'000	<u>2015</u> £'000
Balance at 1st January	(82,683)	(88,018)	(951)	(971)
Current Service Cost	(2,226)	(2,567)		
Interest Cost	(3,601)	(3,044)	(40)	(32)
Contributions by scheme participants	(739)	(790)		
Remeasurement gains and (losses)				
<i>Actuarial gains and (losses) - demographic assumptions</i>	1,858	0	(31)	
<i>Actuarial gains and (losses) - financial assumptions</i>	(3,686)	3,436	(6)	16
<i>Actuarial gains and (losses) - experience</i>	629	274	(8)	6
Benefits paid	2,487	2,926	65	64
Past service costs and curtailments	(57)	(80)		
Balance at 31st December	(88,018)	(87,863)	(971)	(917)

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	
	<u>2014</u>	<u>2015</u>
Equity investments	75.20%	75.00%
Property	3.60%	4.60%
Bonds	15.30%	15.20%
Other assets *	5.90%	5.20%
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	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Mortality assumptions				
Longevity at 65 for future pensioners				
Men	24.7 years	24.8 years		
Women	27.7 years	27.8 years		
Longevity at 65 for current pensioners				
Men	22.5 years	22.6 years	22.5 years	22.6 years
Women	25.4 years	25.5 years	25.4 years	25.5 years
Rate of Inflation (RPI)	3.00%	3.00%	2.90%	2.90%
Rate of Inflation (CPI)	1.90%	1.90%	1.80%	1.80%
Rate of Increase in Salaries	3.40%	3.40%	-	-
Rate of Increase in Deferred Pensions	1.90%	1.90%	-	-
Rate of Increase in Pensions	1.90%	1.90%	1.80%	1.80%
Rate for discounting scheme liabilities	3.50%	3.70%	3.40%	3.60%
Take-up of option to convert annual pension into retirement lump sum	75%	75%		

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
2,204	(2,206)
488	(482)
1,314	(1,293)
(1,839)	1,878

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 £16,827k has an impact on the net worth of the organisation as recorded in the balance sheet, resulting in the overall balance decreasing by £1825k. 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 2016 are £1.53m. In addition, contributions towards the unfunded obligations will be required. Expected contributions for the discretionary benefits in the year to 31st December 2016 are £0.64m.

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 2015 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 2015, the Organisation held the following assets

Property plant and equipment were predominantly represented by 48 Delivery vehicles (2014 = 47), 93 Container units (2014 = 98) 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 2014).

Property Plant and Equipment	Land & Buildings £'000	Furniture & Equipment £'000	Computers £'000	Vehicles £'000	TOTAL £'000
Cost or valuation					
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

2014 Comparative

Property Plant and Equipment	Land & Buildings £'000	Furniture & Equipment £'000	Computers £'000	Vehicles £'000	TOTAL £'000
Cost or valuation					
Opening balance 1 January 2014	10,325	627	839	3,038	14,829
Acc depreciation write out to gross carrying amount	(172)			(264)	(436)
Revaluation increase / (decrease) recognised in the Revaluation Reserve	(172)	-	-	-	(172)
Revaluation increase / (decrease) recognised in the I&E	(151)	-	-	-	(151)
Additions	47	57	21	-	124
Impairment					
Disposals					
At 31 December 2014	9,877	684	860	2,774	14,194
Depreciation and impairments					
Opening balance 1 January 2014	0	252	763	2,397	3,412
Charge for depreciation 2014	172	64	50	388	674
Disposals		-	-	-	0
Impairment		-	-	-	0
Acc depreciation write out to gross carrying amount				(264)	(264)
Revaluation	(172)	-	-	-	(172)
At 31 December 2014	0	316	813	2,521	3,650
Net Book Value at 31 December 2014	9,877	367	47	252	10,544
Net Book Value at 1 January 2014	10,325	375	76	641	11,417

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 2015	Intangible Assets £'000
Cost or valuation	
Opening balance 1 January 2015	118
Additions	
Impairment	
Disposals	
At 31 December 2015	118
Amortisation and impairments	
Opening balance 1 January 2015	10
Amortisation charge for 2015	39
Impairment	
Disposals	
At 31 December 2015	49
Net Book Value at 31 December 2015	69
Net Book Value at 1 January 2015	108

2014 Comparative	Intangible Assets £'000
Cost or valuation	
Opening balance 1 January 2014	0
Additions	118
Impairment	
Disposals	
At 31 December 2014	118
Amortisation and impairments	
Opening balance 1 January 2014	0
Amortisation charge for 2014	10
Impairment	
Disposals	
At 31 December 2014	10
Net Book Value at 31 December 2014	108
Net Book Value at 1 January 2014	0

9. Inventories

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)
Increase in Stock in Transit accrual	170	-	-
Reversals of write offs in previous years	-	-	-
Provision for stock write off	(88)	-	(88)
Closing Inventory balance	12,489	55	12,544

31st Dec 2014	Warehouse Stock £000's	Packing and Materials £000's	Total £000's
Opening inventory balance	9,768	45	9,813
Purchases	63,164	382	63,546
Recognised as an expense in year	(62,165)	(352)	(62,517)
Reduction of Stock in Transit accrual	(7)	-	-
Reversals of write offs in previous years	-	-	-
Provision for stock write off	(204)	-	(204)
Closing Inventory balance	10,556	75	10,631

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 2014 £'000	31st Dec 2015 £'000
Trade Debtors	10,643	7,835
Accumulated Absences	5	4
Less - Provision for Bad Debts	(80)	(57)
	10,568	7,783
Payments in Advance and accrued income	3,733	3,609
Total	14,301	11,392

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 2014 £'000	31st Dec 2015 £'000
central government bodies	48	1
other local authorities	8,282	5,229
NHS bodies	37	24
public corporations and trading funds	2	0
bodies external to general government (i.e. all other bodies).	2,274	2,582
	10,643	7,835

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 2014 £'000	31st Dec 2015 £'000
central government bodies	-	-
other local authorities	-	-
NHS bodies	-	-
public corporations and trading funds	-	-
bodies external to general government (i.e. all other bodies).	3,733	3,609
	3,733	3,609

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 2014 £'000	31st Dec 2015 £'000
Creditors and Receipts in Advance		
Trade Creditors	5,707	4,774
Accruals	2,320	2,871
VAT	189	159
Accumulated absences	69	116
Total	8,285	7,921

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 2014 £'000	31st Dec 2015 £'000
central government bodies	-	-
other local authorities	55	47
NHS bodies	-	-
public corporations and trading funds	-	-
bodies external to general government (i.e. all other bodies).	5,652	4,728
	5,707	4,774

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 2014 £'000	31st Dec 2015 £'000
central government bodies	189	159
other local authorities	1,108	770
NHS bodies	-	-
NHS bodies	-	-
public corporations and trading funds	-	-
bodies external to general government (i.e. all other bodies).	1,212	2,217
	2,509	3,147

Long Term Liabilities

Liability relating to Defined Benefit Pension Scheme

	31st Dec 2014 £'000	31st Dec 2015 £'000
Liability relating to Defined Benefit Pension Scheme	18,652	16,827
Total	18,652	16,827

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 managed by the treasury function of Wakefield Metropolitan District Council (WMDC). Risks to cash arise in the form of banking failures either within the UK or on overseas overnight investments.

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 organisations customer base and the change in education from state to academy status schools. Debtors past due are as follows :-

	2014 £'000	2015 £'000
Two to six months	2,499	2,148
Six months to one year	259	248
More than one year	84	143
Total	2,842	2,539

A general provision of £57k (2014 £80k) 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 2014 £'000	31st Dec 2015 £'000	Net Movement in the Year £'000	Note
<u>Usable reserves</u>				
General Fund Balance	29,507	30,301	794	i
Capital Receipts Reserve	85	85	0	ii
Internal Investment Reserve	1,830	2,303	473	iii
<u>Unusable reserves</u>				
Joint Committee Capital Adjustment Account	11,263	11,014	(248)	iv
Earmarked Pension reserve	(18,652)	(16,827)	1,825	v
Earmarked Accumulated Absences Account	(69)	(112)	(44)	vi
Revaluation reserve	62	0	(62)	vii
Total reserves	24,027	26,765	2,738	

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 2015 had a balance of £2m.

General fund balance	2014 £'000	2015 £'000
Balance brought Forward 1st of January	25,328	29,507
Surplus or deficit on operations	406	(701)
Total comprehensive income and expenditure	406	(701)
Depreciation and impairment	839	1,048
Revaluation losses (gains)		
Capital expenditure charged to the GF	(242)	(798)
Transfer of cash sale proceeds		
Use of UCRR to fund capital expenditure		
Reversal of IAS 19 charges to I&E	3,036	3,271
Employer's pension contributions	(1,482)	(1,596)
Movement in employee absence accrual	22	44
Total voluntary adjustments	2,173	1,969
Pension Contribution Reserve	-	-
Internal Investment Reserve	1,601	(473)
Total transfers to/from cash reserves	1,601	(473)
Total transfers to/from earmarked reserves	3,774	1,496
Balance Carried Forward 31st December	29,507	30,301
Movement in year represented in the Movement in Reserves Statement	4,179	794

- (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	2014 £'000	2015 £'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	2014 £'000	2015 £'000
Balance brought Forward 1st of January	3,431	1,830
Transferred to Reserves		
Reserves for specific projects created in year	559	1,161
Amounts Applied		
Reserve balances utilised in year	(601)	(688)
Amounts released back to the General Fund		
Reserve balances no longer required and released back to the General Fund	(1,558)	
Balance Carried Forward 31st December	1,830	2,303
Movement in year represented in the Movement in Reserves Statement	(1,601)	473

Notes to the Core Financial Statements

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

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

Joint Committee Capital Adjustment Account	2014 £000	2015 £000
Balance bought Forward 1st of January	11,854	11,263
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	(688)	(1,048)
Revaluation (losses) gains on property plant and equipment	(151)	
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	5	1
Net Written out amount of the cost of non-current assets consumed in the year	11,021	10,217
Capital financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-
Capital expenditure charged against the General Fund	242	798
	11,263	11,014
Balance Carried Forward 31st December	11,263	11,014
Movement in year represented in the Movement in Reserves Statement	(591)	(590)

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

Earmarked Pension Reserve	2014 £000	2015 £000
Balance bought forward 1st January	(17,861)	(18,652)
Actuarial Gains or (losses) on pension assets and Liabilities	763	3,500
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,036)	(3,271)
Employers pensions contributions and direct payments to pensioners payable in year	1,482	1,596
Movement on Assets and Liabilities in year	(18,652)	(16,827)
Movement in year represented in the Movement in Reserves Statement	(791)	1,825

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

Earmarked Accumulated Absences Account	2014 £000	2015 £000
Balance bought forward 1st January	(42)	(69)
Settlement or cancellation of accrual made in preceding year	42	69
Amount to be accrued for current year	(69)	(112)
Amount to be charged to the Comprehensive Income and Expenditure Statement	(27)	(44)
Balance as at 31st December	(69)	(112)
Movement in year represented in the Movement in Reserves Statement	(27)	(44)

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

	2014 £000	2015 £000
Revaluation Reserve		
Balance brought Forward 1st of January	239	62
Upward revaluation of assets	-	-
Difference between fair value depreciation and historical cost depreciation	(5)	(1)
Revaluation written out to the General Fund	(172)	(60)
Adjusting amounts written out of the Joint Committee Capital Adjustment Account		
Balance Carried Forward 31st December	62	0
Movement in year represented in the Movement in Reserves Statement	(177)	(62)

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	
	2014	2015
50,000 - 54,999	1	2
55,000 - 59,999	3	5
60,000 - 64,999	1	1
65,000 - 69,999	2	0
70,000 - 74,999	1	2
75,000 - 79,999	-	0
TOTAL	8	10

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 2013 are also shown and these officers are excluded from the above table.

2015						
Post	Salary incl. Benefits in Kind	Expenses	Pay in Lieu of Notice	Redundancy Pay	Pension Contributions	Total Remuneration
Managing Director	126,993	-	-	-	14,726	141,719
Commercial 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	0	0	0	45,318	440,729

2014						
Post	Salary incl. Benefits in Kind	Expenses	Pay in Lieu of Notice	Redundancy Pay	Pension Contributions	Total Remuneration
Managing Director	127,215	-	-	-	14,908	142,123
Corporate Director	91,259	-	-	-	10,560	101,819
Commercial Director	90,409	-	-	-	10,560	100,969
Supply Chain Director	72,862	-	-	-	8,374	81,236
	381,745	0	0	0	44,401	426,146

Notes to the Core Financial Statements

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

EXIT PACKAGE £	No. of compulsory redundancies		No. of other departures		Total no. of exit packages		Total cost of exit packages	
	2014 No.	2015 No.	2014 No.	2015 No.	2014 No.	2015 No.	2014 £,000's	2015 £,000's
0 - 20,000	4			7	4	7	30	69
20,001 - 40,000								27
40,001 - 60,000								
60,001 - 80,000								
Total	4	0	0	7	4	7	30	96

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:

	2014 £000	2015 £000
Not later than one year	176	209
Later than one year and not later than five years	230	387
Later than five years	830	2,262
	1,236	2,858

Amounts charged, in respect of these leases, to the Comprehensive Income and Expenditure Statement during 2015 were £490k (2014 £536k) of which £24K 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.

2014 £'000	YPO Profit & Loss	2015 £'000
	Trading	
71,827	Stores	72,448
16,322	Food	16,445
32,835	Directs	28,510
120,984	Total Invoiced Sales	117,404
(90,510)	Cost of Sales	(86,673)
30,474	Gross Margin	30,731
226	Discounts	199
5,365	Rebates	4,902
2,196	Other Income	2,310
38,261	Total Income	38,142
	Operating Costs	
(14,279)	Employment costs	(16,766)
(1,027)	Premises	(1,078)
(4,788)	Supplies and Services	(6,037)
(6,270)	Transport	(4,725)
(164)	SLA costs	(179)
(1,064)	Financial & Misc	1,057
(834)	Depreciation	(1,048)
(28,426)	Total Operating Costs	(28,776)
88	Interest (payable)/receivable	80
-	Profit/(loss) on disposal of assets	-
-	Dividend paid	-
-	Pension costs	-
9,923	Surplus or (deficit)	9,446

Notes to the Core Financial Statements

2014 £'000	Reconciliation of P&L Account to I&E Account	2015 £'000
9,923	Net Profit in P&L Account	9,446
(9,518)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management	(10,147)
-	Amounts included in the P&L not included in the Comprehensive Income and Expenditure Statement	-
406	Surplus/(Deficit) on provision of service	- 701

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 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				
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	(16,766)	-	-	(16,766)
Premises	(1,078)	-	-	(1,078)
Supplies and Services	(6,037)	-	-	(6,037)
Transport	(4,725)	-	-	(4,725)
SLA costs	(179)	-	-	(179)
Financial & Misc	1,057	-	-	1,057
Depreciation	(1,048)	-	-	(1,048)
Total Operating Costs	(28,776)	0	-	(28,776)
Interest (payable)/receivable	80	-	-	80
Profit/(loss) on disposals	-	-	-	0
Dividend paid	-	(8,472)	-	(8,472)
Transfer to Limited Co	-	0	-	0
Pension costs	-	(1,675)	-	(1,675)
Surplus or (deficit) on provision of service	9,446	(10,147)	-	(700)

YPO Profit & Loss 2014	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	120,984	-	-	120,984
Cost of Sales	(90,510)	-	-	(90,510)
Gross Margin				
Discounts	226	-	-	226
Rebates	5,365	-	-	5,365
Other Income	2,196	-	-	2,196
Total Income	38,261	0	-	38,261
Operating Costs				
Employment costs	(14,279)	-	-	(14,279)
Premises	(1,027)	-	-	(1,027)
Supplies and Services	(4,788)	-	-	(4,788)
Transport	(6,270)	-	-	(6,270)
SLA costs	(164)	-	-	(164)
Financial & Misc	(1,064)	-	-	(1,064)
Depreciation	(834)	-	-	(834)
Total Operating Costs	(28,426)	0	-	(28,426)
Interest (payable)/receivable	88	-	-	88
Profit/(loss) on disposals	-	-	-	0
Dividend paid	-	(7,879)	-	(7,879)
Transfer to Limited Co	-	(85)	-	(85)
Pension costs	-	(1,554)	-	(1,554)
Surplus or (deficit) on provision of service	9,923	(9,433)	-	406

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 35 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:

	2014	2015
	£'000	£'000
Barnsley	16,867	14,850
Bolton	13,433	13,688
Bradford	24,217	24,049
Calderdale	11,764	10,355
Doncaster	16,328	18,279
Kirklees	26,809	20,705
Knowsley	8,227	7,287
North Yorkshire	18,092	21,941
Rotherham	12,636	13,257
St Helens	9,890	9,741
Wakefield	19,680	21,157
Wigan	13,840	15,353
York	6,284	7,798
	198,066	198,461

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 handling. 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 Directors 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 2015 £
YPO Procurement Holdings	-	-
YPO Supplies Ltd	562,264	232,601

18. AUDIT COSTS

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

	2014	2015
	£000	£000
Audit Costs		
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor	20	29

Notes to the Core Financial Statements

19. EVENTS AFTER THE BALANCE SHEET DATE

The xxx 2016 Management Committee Meeting approved the pre audit statement of Accounts and agreed a profit distribution in respect of the 2015 trading year of £xxxm covering members dividend and the YPO loyalty scheme.

When calculating the pension scheme liability at the end of the reporting period, reference is made by the actuary to the market yield of high quality corporate bonds to help determine the fair value of the schemes assets.

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 xxxxxx 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.

Exceptional Items

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.

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	<p>YPO</p> <p>AUDIT SUB-COMMITTEE</p> <p>TO BE HELD ON</p> <p>26TH FEBRUARY 2016</p>
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TITLE: UPDATE ON YPO'S BUSINESS CHANGE PROGRAMME

REPORT OF: HEAD OF BUSINESS CHANGE & IT

1. PURPOSE OF REPORT

1.1 Provide a periodic overview of the progress of key projects in YPO's current Business Change Programme.

2. BACKGROUND INFORMATION

Current Project Dossier as of February 2016	
Project	Key Activity / Progress
Data & Reporting Project	<ul style="list-style-type: none"> • The existing Business Case is being reviewed and will be reported on at the next Project board as to progress made. • Slight delay in the release of the latest data set (Financial Sales DB). • A Supplier portal database along with a Reconciliation database will be progressed in the next period.
ERP Programme	<ul style="list-style-type: none"> • Recruitment of a Programme manager, will start with YPO beginning of April. • Pulling together a programme approach that will centre on defining a clear blue print of the future organisation and stakeholder engagement. • Continuation of planning and producing the tender documents for a partner to assist YPO in deploying a new system (Nav).
SharePoint Project	<ul style="list-style-type: none"> • New SharePoint Intranet live and positive feedback obtained. • All team sites live across the organisation. • Further training and awareness planned for key users on SharePoint.

3 STRATEGIC IMPLICATIONS

3.1 The projects currently in the programme are a key plank of YPO's 3 year strategy (2015-17) and continuation from the previous three year strategy.

4 FINANCIAL IMPLICATIONS

4.1 Financial implications have been considered in previous year's business planning cycles and detailed business cases exist at a project level.

5 LEGAL IMPLICATIONS

5.1 Legal and procurement advice has been provided in relation to the procurement approach used in the respective system procurements, adhering to YPO's standing orders.

6 EQUALITY IMPLICATIONS

6.1 None.

7 RISK IMPLICATIONS

7.1 Major IT, project and programme risks are monitored in accordance with YPO's risk management policy.

8 RECOMMENDATION

8.1 That the contents of this report are noted and the style of reporting is deemed acceptable to update future Audit Committee Meetings.

SERVICE DIRECTOR: PAUL SMITH, EXECUTIVE DIRECTOR

Yorkshire Purchasing Organisation
41 Industrial Park
Wakefield
WF2 0XE

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

CONTACT OFFICER: GAVIN RIMMINGTON, HEAD OF BUSINESS CHANGE & IT

Yorkshire Purchasing Organisation
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 836993
E-mail address: gavin.rimmington@ypo.co.uk

	<p>YPO</p> <p>AUDIT SUB-COMMITTEE</p> <p>TO BE HELD ON</p> <p>26TH FEBRUARY 2016</p>
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TITLE: INTERNAL AUDIT – ANNUAL REPORT – JANUARY TO DECEMBER 2015

REPORT OF: THE s151 OFFICER

1 PURPOSE OF REPORT

1.1 To present:

- The draft Annual Audit Report (see attached Appendix A) for 2015, in line with the requirements of the Internal Audit Protocol and the Public Sector Internal Audit Standards (PSIAS).
- An Internal Audit Progress report covering work undertaken between November 2015 and January 2016 (see attached Appendix B).

1.2 To receive the following Internal Audit Opinion (extract from YPO Annual Governance Statement [AGS] 2015):

“From the work undertaken by Internal Audit during 2015, key controls were found to be adequate 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 2015 AGS.”

2 BACKGROUND INFORMATION

2.1 The Annual Report, which has been produced in line with the PSIAS, 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 quarter 4 Progress Report, 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 2015 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 2015 was completed at a cost to YPO of £62,145, 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 is a statutory function which makes a significant contribution to providing management and Members with assurances on the Organisation's system 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:

Judith Badger, Assistant Chief Executive – Resources & Governance (Wakefield Council)
Telephone No: 01924 305388
E-mail address: jbadger@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

APPENDIX A

**Internal Audit
Annual Report**

YPO

January to December 2015

INTRODUCTION

1. This annual report is produced in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and covers the period January to December 2015. 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 2015 has been included within the Plan for January to December 2016, 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 2015, which will be included in YPO's 2015 Annual Governance Statement (AGS), is as follows:

"From the work undertaken by Internal Audit during 2015, key controls were found to be adequate 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 2015 AGS."

INTERNAL AUDIT PERFORMANCE

4. In respect of the performance of the Internal Audit Service, most of the planned work for the period January to December 2015 was substantially completed by the end of December 2015 in line with the days originally agreed. The exceptions were the proposed audits on:
 - Security Arrangements. (At the request of YPO management, the start of the audit has been delayed until the second quarter of 2016.)
 - IT Arrangements. (The audit will take place in the first quarter of 2016.)
5. No concerns have been raised regarding the nature and conduct of Internal Audit work by the External Auditor.
6. All Internal Audit work is subject to a quality control process, including formal review of work by the appropriate level of audit management.
7. Seven client surveys were issued following completion of the audit assignments referred to in Table 1 below. Six were completed and returned, four with an overall opinion of 'Very Good' and two with an overall opinion of 'Good', thus achieving the current target of 95% Good / Very Good.

SUMMARY OF AUDIT WORK COMPLETED AND RELATED OPINIONS

8. 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.
9. Table 1 attached provides details of audit work reported relating to the 2015 Internal Audit Plan. Seven reports were issued.
10. In addition to these audit reports, Internal Audit resources were utilised within the following areas of activity:
 - 10.1 Ongoing support to the Business Change Modernisation Programme. This included submitting comments to YPO on the business case for the 'Purchase Ledger – Process Improvements' project.
 - 10.2 During the 2015 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.
 - 10.3 Various instances of consultancy / advice-type support throughout the year, including commenting on the Draft YPO AGS and advice on various fraud-related matters.
 - 10.4 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.
11. Based on audit work undertaken in 2015, the following points are worthy of note:
 - 11.1 Overall, the main financial systems were found to be operating to the required level of control. For the third year running, all of the systems were assessed as being "fully effective".
 - 11.2 A review of Anti-Fraud & Bribery Arrangements found that, in the main, risks were being managed to an adequate level, with procedures in place to ensure that risks are controlled. However, some work was required with regards to the training of staff. Pre-qualifying questionnaires and credit checks were not undertaken when new suppliers were used through a non-tendered process (although work was ongoing at the time of the audit to introduce new procedures in this area). In addition, records were not kept of the research undertaken.
 - 11.3 Two IT-related audits were undertaken, on:
 - Navision (an off-the-shelf Windows-based financial package that is used for YPO's Purchase, Sales and General Ledger functions), and

- STEP (a software program that is used to hold product details, all of which can be ordered via YPO's website; it also includes a module to create the catalogues each year).

The controls relating to the accuracy of the data imported into both Navision and STEP were robust, with a full audit trail in place. Additionally, the back-up arrangements were working well.

11.4 A review of a new programme management toolkit for delivering the Business Change Programme found that it is fit for purpose to ensure the effective delivery of projects. To further develop the toolkit, and prior to it being rolled out for all projects, some suggestions were put forward on areas for improvement. It was also suggested that the toolkit be tailored to meet the requirements of high, medium and low risk projects. (A summary of the review was included in Internal Audit's Annual Report for 2014. It is included again here, as it was reported in January 2015.)

12. Progress in implementing audit recommendations arising from the audit work referred to in paragraph 11 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 2015 INTERNAL AUDIT PLAN

Review Area / Report Date	Audit Opinion
Main Financial Systems 2014 – 09/01/15 - 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
Project Management Toolkit – 19/01/15	N/A
Main Financial Systems 2014 & Extended Testing Follow Up – 18/06/15	Mostly Implemented
Anti-fraud & bribery arrangements – 01/07/15	Mostly Effective
IT Application Controls – Navision – 04/09/15	Fully Effective
IT Application Controls – STEP – 24/09/15	Fully Effective
Main Financial Systems 2015 – 28/01/16 - 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

INTERNAL AUDIT PROGRESS REPORT – NOVEMBER 2015 TO JANUARY 2016

1. One Internal Audit report has been issued since the last Internal Audit Progress Report was discussed at the YPO Audit Sub-Committee on the 6th November 2015, as shown below:

Report	Audit Opinion In Report / Main Messages In Report	Actions Taken By YPO
<p>Main Financial Systems 2015 – 28/01/16</p> <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 	<p style="text-align: center;">Fully Effective</p> <p>In all cases sufficient controls are in place and working effectively in practice. Although considered as being minor areas for improvement, there were a couple of issues which will need to be addressed in order to maintain the fully effective opinion:</p> <ul style="list-style-type: none"> • There are inconsistencies in how the invoices relating to catalogue contributions by suppliers are calculated. There is no protocol in place for dealing with discrepancies between the sales figure quoted by a supplier and the sales figure records held by YPO. • ISYS (the stock Masterfile) cannot detail the stock write-offs by item number with sufficient detail to establish which customers have returned that item. 	<p>The action plan is not due to be returned until the 25th March 2016.</p>

2. 6 Internal Audit reports were issued during the period January to October 2015 and discussed at previous Audit Sub-Committee meetings:
 - Main Financial Systems 2014 – 09/01/15
 - Project Management Toolkit – 19/01/15
 - Main Financial Systems 2014 & Extended Testing Follow Up – 18/06/15

- Anti-fraud & bribery arrangements – 01/07/15
 - IT Application Controls – Navision – 04/09/15
 - IT Application Controls – STEP – 24/09/15
3. In addition to the report summarised in paragraph 1 above, the following Internal Audit work is ongoing:
- 3.1 Continuing to provide support to the Business Change Modernisation Programme as required.
- 3.2 IT Arrangements.
- Any control issues arising from this Internal Audit work will be raised with YPO management in due course and, in the case of IT Arrangements, a report will be issued.
4. The main emphasis of Internal Audit's work up to the end of March 2016 will be completion of the audit on IT Arrangements. In addition, Internal Audit will continue to provide support to the Business Change Modernisation Programme as required.

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YPO
AUDIT SUB-COMMITTEE
TO BE HELD ON
26TH FEBRUARY 2016

TITLE: DRAFT 2016 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 2016 YPO Internal Audit Plan.

2 BACKGROUND INFORMATION

- 2.1 The Sub-Committee received a report at the meeting held on the 6th November 2015, outlining the proposed process for formulating the 2016 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 2016 YPO Internal Audit Plan has been discussed and agreed with the YPO Board of Directors. The Plan is based on 130 days of Internal Audit work, at a cost to YPO of £45,890. This is a reduction of 50 days from 2015.
- 2.3 Following consideration by the Sub-Committee, the Plan will be submitted to the next meeting of the YPO Management Committee on the 18th March 2016 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 2016 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 2016 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 2016, attached as Appendix A to this report, prior to it being submitted to the Management Committee for formal approval.

CONTACT OFFICERS:

Judith Badger, Assistant Chief Executive – Resources & Governance (Wakefield Council)
Telephone No: 01924 305388
E-mail address: jbadger@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

2016

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 2016 PLAN

11. Having taken into account all relevant factors, the areas to be considered for inclusion within the 2016 Plan were identified, recorded and discussed with the YPO Board of Directors. The agreed Plan is included as Attachment 1 to this report.
12. The resource envisaged to complete the 2016 Internal Audit Plan is based on 130 days of Internal Audit work, at a cost to YPO of £45,890.

YPO DRAFT INTERNAL AUDIT PLAN FOR 2016

Plan / Risk Area	Rationale For Undertaking Audit	Previous Audit	Comments
Main Financial Systems (40 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>	2015	<p>The systems subject to annual review and testing are:</p> <ul style="list-style-type: none"> • Ordering & Creditors – split between: (i) Working Expenses including Hired Carriers, and (ii) Business Creditors • Main Accounting System • Payroll • Debtors – split between: (i) Business Income, and (ii) Non-Business Income • Budgetary Control • Asset Management • Stock control <p>Ordering & Creditors and Asset Management will be subject to a detailed review.</p> <p>(To be audited between July and December 2016)</p>
Other Risk Based Audit Work (70 days)			
<p>Business Planning</p> <p>Linked to various YPO strategic risks including:</p> <p>SR-0001 Lack of availability (or unacceptable cost) of adequate funds to fulfil the strategic plan.</p> <p>SR-0003 Programmes and projects are not aligned to YPO's strategic objectives.</p>	<p>Business planning is key to the achievement of the organisation's objectives.</p>	2014 (Business Planning)	<p>The 2014 audit focused on the business planning process.</p> <p>The intention is that the 2016 audit will focus on a sample of the services included within the Business Planning risk register. Testing will be undertaken in order to provide assurance to the Board and the Senior Leadership Team that sufficient action has either already been taken, or is in the process of being taken, to successfully deliver business planning objectives.</p> <p>(To be audited between July and September 2016)</p>

Plan / Risk Area	Rationale For Undertaking Audit	Previous Audit	Comments
<p>SR-0008 Inadequate workforce skills to support organisational strategy.</p> <p>In addition, the Business Planning risk register detailing the risks which emerged from the 2016 business planning process.</p>			
<p>Business Performance Management</p> <p>Linked to various YPO strategic risks including:</p> <p>SR-001 Lack of availability (or unacceptable cost) of adequate funds to fulfil the strategic plan.</p> <p>SR-005 Under-achievement of sales forecast.</p> <p>SR-0012 Poor customer service.</p>	<p>Good business performance management is a prerequisite for a successful organisation.</p>	<p>2013 (Data Quality)</p>	<p>Undertake testing to confirm that controls exist to mitigate the risks associated with business performance management and are working in practice.</p>
<p>Fleet Replacement / Third Party Logistics</p> <p>Linked to YPO strategic risk:</p> <p>SR-0015 Inability to fulfil customer orders.</p>	<p>Assurance required that the processes followed are in compliance with YPO's standing orders for contracts.</p>	<p>2013 (Framework Contracts)</p>	<p>Undertake testing to confirm that controls exist to mitigate the risks associated with Fleet Replacement / Third Party Logistics and are working in practice.</p>
<p>Electronic payments /</p>	<p>YPO's three-year strategy 2015 –</p>	<p>No previous audit</p>	<p>The audit will confirm that sound arrangements have been put in place.</p>

Plan / Risk Area	Rationale For Undertaking Audit	Previous Audit	Comments
credit cards etc.	2017 refers to investing in new ways of doing business with customers, and includes reference to electronic payments / credit cards etc.		
<p>New systems / initiatives being developed.</p> <p>Linked to YPO strategic risk:</p> <p>SR-0003 Programmes and projects are not aligned to YPO's strategic objectives.</p>	<p>To ensure projects are properly established, best practice is adhered to regarding procurement routines and project management, and best value is obtained.</p> <p>Internal Audit involvement helps ensure that adequate controls are built into all new systems.</p>	2015	<p>In addition to involvement in new systems and initiatives that are already ongoing, to confirm with YPO senior management the new systems and initiatives which are due to be developed in 2016 and beyond.</p> <p>Consultancy role, involving ongoing support to the Business Change Programme as necessary. The role may include such matters as:</p> <ul style="list-style-type: none"> • Business case stage – Input to consideration of options. Are benefits, dis-benefits and risks adequately recorded? Is the costing methodology used consistent across the options? Does the costing of the options take everything into account? Are the costs calculated correctly? Are the objectives of the proposed project measurable? • Risk register – Input to compilation of the project risk register as a 'critical friend'. Are all of the key risks included? • Project stage – Comment on the adequacy of the controls that are being built into the new system and whether these will be sufficient to mitigate key risks. Comment on the adequacy of the governance arrangements (for example, the approval process at the start of the project, arrangements for

Plan / Risk Area	Rationale For Undertaking Audit	Previous Audit	Comments
			<p>reporting on progress with regards to time being taken and cost, stakeholder involvement and delegation of decisions during the course of the project). May involve periodic attendance at Project Board meetings.</p> <ul style="list-style-type: none"> • Post 'Go Live' – Review and comment upon the project closure report and the benefits realisation, including lessons learned.
<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>2013 (Marketing 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>			
<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>2015</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>

Plan / Risk Area	Rationale For Undertaking Audit	Previous Audit	Comments
<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>2015</p>	<p>Audit resources utilised throughout the year as required.</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>



YPO
AUDIT SUB-COMMITTEE
TO BE HELD ON
26TH FEBRUARY 2016

TITLE: LOCAL AUDIT AND ACCOUNTABILITY ACT 2014 AND JOINT COMMITTEES

REPORT OF: SECTION 151 OFFICER

1. PURPOSE OF REPORT

- 1.1 To inform members of the changes to the Local Audit and Accountability Act 2014 and the implications for joint committees.
- 1.2 To advise Members on whether to introduce a voluntary arrangement to prepare a statement of accounts each year to be reviewed by an external auditor.

2. BACKGROUND INFORMATION

- 2.1 The Audit Commission Act 1998, which requires the accounts of joint committees such as YPO to be subject to audit, was repealed with effect from 1 April 2015. From this date, the Local Audit and Accountability Act 2014 introduced new local public audit arrangements. However, these arrangements do not apply to joint committees and, therefore, joint committees are no longer required to have their accounts separately prepared and audited. The final mandatory audit for joint committees covers the period 2014/15. For YPO, this will be the period ending 31 December 2015.
- 2.2 This change has been made by the Department for Communities and Local Government (DCLG) as it is expected that appropriate parts of the financial results of joint committees, such as YPO, are reported in the accounts of their constituent bodies and therefore will be audited by auditors appointed to audit the accounts of those bodies.
- 2.3 The DCLG has asked that authorities consider the effect of ending separate joint committee audits whilst ensuring that an effective financial and governance framework is maintained for those committees and the funds they control.
- 2.4 KPMG is currently contracted to undertake the audit of YPO's statement of accounts. This contract ends when the 2015 audit has been completed. If YPO chooses to continue to prepare annual statements of account, a procurement process would need to commence to appoint an external auditor for the 2016 audit.

3. PROPOSED ACTION

- 3.1 The Section 151 Officer of the Lead Authority Wakefield Council also has the Section 151 responsibilities for YPO. The Section 151 Officer strongly recommends that the YPO financial statements continue to be prepared in accordance with the CIPFA Code of Practice. This will provide stakeholders with the confidence that public money has been properly accounted for and that the organisation's financial standing is on a secure footing.
- 3.2 There is provision within the legislation for joint committees to make their own voluntary arrangements for the preparation and audit of their accounts.
- 3.3 Even though all 13 Member authorities include their own financial transactions with YPO in their own accounts, in the majority of cases this is not explicitly disclosed in the accounts. This is due to the immateriality of the transactions within each member's accounts. Only two of the Member authorities show separately the dividend received.
- 3.4 Bearing this in mind, and in line with the professional judgement of the Section 151 Officer, to ensure that the financial performance of YPO is reported accurately and consistently and can be validated as free from material error or misstatement, it is recommended that YPO continues to prepare a statement of accounts and that these accounts are subject to an external audit.
- 3.5 If YPO decides to continue to prepare annual statements of accounts, it will need to explore the option of extending the current auditor's contract (KPMG) for one year or starting the procurement process to appoint an external auditor going forward.

4. FINANCIAL IMPLICATIONS

- 4.1 In the current financial year, £20k is included in the revenue budget to cover the external audit fee.

5. LEGAL IMPLICATIONS

- 5.1 The implementation of the Local Audit and Accountability Act 2014 means that YPO is no longer required to have its accounts separately prepared and audited.

6. RISK IMPLICATIONS

- 6.1 The voluntary arrangement to continue to prepare a statement of accounts that are subject to external audit will provide assurance that an effective financial and governance framework is maintained for YPO.

7. OPTIONS APPRAISAL

- 7.1 **Option 1** - Members agree that YPO continues to prepare, each year, a statement of accounts in accordance with the CIPFA Code of Practice that is subject to external audit.
- 7.2 **Option 2** – Members put forward alternative proposals that would provide appropriate assurances acceptable to the Section 151 Officer and which would enable the Section 151 Officer to carry out their statutory responsibilities.

8. RECOMMENDATION

- 8.1 That Members note the changes to the Local Audit and Accountability Act 2014 and the implications for joint committees.
- 8.2 That Members agree that YPO continues to prepare, each year, a statement of accounts in accordance with the CIPFA Code of Practice that is subject to external audit.

ASSISTANT CHIEF EXECUTIVE – RESOURCES & GOVERNANCE – JUDITH BADGER

CONTACT OFFICER: JUDITH BADGER

Wakefield Council,
County Hall,
Bond Street
Wakefield
WF1 2QW

Telephone No: 01924 305388
E-mail address: jbadger@wakefield.gov.uk

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