

Your Ref.

Our Ref

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Date 06 February 2020

**Merran McRae - Chief Executive**

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Typetalk calls welcome

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

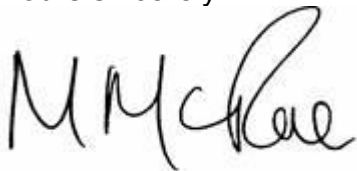
Dear Member

**YPO AUDIT & SCRUTINY SUB-COMMITTEE – FRIDAY, 14 FEBRUARY 2020**

It is with pleasure that I write to invite you to attend a meeting of the YPO Joint Committee Audit and Scrutiny Sub-Committee which is to be held at **10:30 am on Friday, 14 February 2020 in the YPO Headquarters** to consider the items set out in the agenda attached.

Please note a training session entitled 'External Audit Training' will take place prior to the meeting at 10am.

Yours sincerely



Merran McRae  
Secretary to the Joint Committee

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

# **YORKSHIRE PURCHASING ORGANISATION AUDIT & SCRUTINY SUB-COMMITTEE**

**Friday, 14 February 2020**

## **AGENDA**

1. Chair's Introduction and Welcome.
2. Acceptance of Apologies for Absence.
3. Members' Declaration of Interest.
4. To note any items which the Chair has agreed to add to the agenda on the grounds of urgency.
5. To approve, as a correct record, the Minutes of the Meeting of the Audit & Scrutiny Sub-Committee held on 1st November 2019. (Pages 1 - 3)
6. Annual Governance Statement & Local Code of Corporate Governance. (Pages 5 - 14)
7. Draft Pre-Audit Statement of Accounts. (Pages 15 - 16)
8. Internal Audit Update Report. (Pages 17 - 21)
9. Internal Audit Actions Update. (Pages 23 - 25)
10. External Audit Plan Update. (Pages 27 - 36)
11. Gifts & Hospitality. (Pages 37 - 39)
12. Financial Procedure Rules & Standing Orders relating to Contracts. (Pages 41 - 42)
13. Exclusion of the Public and Press  
“That the public and press be excluded from the meeting during consideration of agenda items 14 - 20 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended”.

## **IN PRIVATE**

14. Link Update Report. (Pages 43 - 44)
15. Brexit Update Report. (Pages 45 - 49)
16. Stock Adjustments. (Pages 51 - 54)
17. Public Sector Strategy. (Pages 55 - 58)
18. Strategic Risk Register Update. (Pages 59 - 63)
19. Risk Management Strategy & Framework. (Pages 65 - 77)
20. Employee Declarations of Interest. (Pages 79 - 81)
21. Date of next meeting.

*3<sup>rd</sup> July 2020.*



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**YORKSHIRE PURCHASING ORGANISATION****AUDIT & SCRUTINY SUB-COMMITTEE****FRIDAY, 1<sup>ST</sup> NOVEMBER 2019****Present:** The Chair: Councillor Warburton (Bradford)

Councillors: Warburton (Bradford), Barnard (Barnsley), Dadd (North Yorkshire), Wyatt (Rotherham), Barnes (Calderdale), Nightingale (Doncaster), Williams (Wakefield), Turner (Kirklees).

<b>1.</b>	<b>CHAIR'S INTRODUCTION &amp; WELCOME</b>
	Councillor Warburton welcomed all parties to the meeting.
<b>2.</b>	<b>ACCEPTANCE OF APOLOGIES FOR ABSENCE</b>
	Apologies for absence submitted prior to the meeting were accepted on behalf of Councillors Sweeney (Wigan), Wild (Bolton), Haslam (Bolton), Pavlovic (York), Daubeney (York), Neil Warren (Wakefield), Gillian Marshall (Wakefield), and Simon Hill (YPO).
<b>3.</b>	<b>MEMBERS DECLARATION OF INTEREST</b>
	No declarations of interest were made.
<b>4.</b>	<b>URGENT ITEMS</b>
	No urgent items were discussed.
<b>5.</b>	<b>PREVIOUS MINUTES (AUDIT &amp; SCRUTINY SUB COMMITTEE)</b>
	The inquorate minutes of the YPO Audit & Scrutiny Sub-Committee held on 29 <sup>th</sup> May 2019 were approved as a correct record.
<b>6.</b>	<b>INTERNAL AUDIT PROGRESS REPORT</b>
	<p>Jason Brook, Service Manager for Internal Audit &amp; Risk (Wakefield Council) shared the progress report from Internal audit.</p> <p>Jason noted that one recommendation is that a direct internal audit charter is put in place going forward.</p> <p>Councillor Barnes suggested adding another column to the table to show the current audit status. Jason agreed to add this.</p> <p>The Independent Director, Rob McWilliam, asked for clarification on how the audit list of risks is put together. Jason shared the process and noted that internal audit are flexible as risks change.</p> <p>Paul Smith noted that this is a snapshot of work from internal audit, but there also a number of audit risks that have been considered outside of the agreed three-year work schedule.</p>

	<p><b>Resolved</b> – (1) That the report be noted.</p> <p>(2) That Members agreed to approve, rather than note (as stated in the report), the four recommendations stated in the report.</p> <p>(3) Members approved the recommendations.</p>
<b>7.</b>	<b>EXTERNAL AUDIT PLAN</b>
	<p>Alastair Newall, Senior Manager – Public Services (Mazars) shared the External Audit plan, which sets out the work which has been undertaken and future audit work.</p> <p>Alastair highlighted some key points of the plan.</p> <p>The Independent Director, Rob McWilliam, raised several points, and Alastair shared his plans for the reports going forward.</p> <p><b>Resolved</b> – (1) That the report be noted.</p>
<b>8.</b>	<b>YEAR END CLOSEDOWN TIMETABLE</b>
	<p>Consideration was given to a report of the Head of Finance which informed Members of the contents of the 2019 Closedown Timetable.</p> <p><b>Resolved</b> – (1) That the Year End Closedown Timetable and plan be noted.</p>
<b>9.</b>	<b>EXCLUSION OF THE PUBLIC AND PRESS</b>
	<p><b>Resolved</b> – That the public and press be excluded from the meeting during consideration of agenda item 10 on the grounds that it is likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended.</p>
<b>10.</b>	<b>IT PROGRAMME UPDATE (LINK) (EXEMPT – PARAGRAPH 3)</b>
	<p>Consideration was given to the report of the Deputy Managing Director (Paul Smith) which provided Members with an update on the current project dossier.</p> <p>The report summarised the progress with the IT Programme.</p> <p>Paul Smith shared a further update on the risks.</p> <p>Councillors raised a number of questions and were satisfied with the responses provided by Officers.</p> <p><b>Resolved</b> – (1) That the report be noted.</p>
<b>11.</b>	<b>DATE AND TIME OF NEXT MEETING</b>
	<p><b>Resolved</b> – (1) That the next meeting of the YPO Audit &amp; Scrutiny Sub Committee is to be held on Friday 14<sup>th</sup> February 2020, 10.30am.</p>


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**YPO**  
**AUDIT & SCRUTINY SUB-COMMITTEE**  
**TO BE HELD ON**  
**14<sup>TH</sup> FEBRUARY 2020**

**TITLE: ANNUAL GOVERNANCE STATEMENT 2019 & LOCAL CODE OF GOVERNANCE**

**REPORT OF: DEPUTY MANAGING DIRECTOR**

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**1. BACKGROUND INFORMATION**

- 1.1 In December 2017 YPO Board agreed a report outlining significant changes to the format of the Annual Governance Statement and the Local Code of Governance, with the aim of making the documents shorter, more readable, accessible and informative, and better tailored to YPO. This was a two stage approach with the changes initially made to the Annual Governance Statement 2017 (published in early 2018) and to the Local Code, published in early 2019. As this approach included a detailed review of YPO's governance arrangements the 2019 annual review has been a light touch only.
- 1.2 This report presents the first draft of the Annual Governance Statement (AGS) 2019 that reflects the 2019 review, for consideration. The Local Code has been reviewed and no changes are proposed at this time.

**2. STRATEGIC IMPLICATIONS**

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

**3. FINANCIAL/RESOURCE IMPLICATIONS**

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

**4. LEGAL IMPLICATIONS**

- 4.1 There are no legal implications arising from this report: YPO continues to meet the requirements of the CIPFA/SOLACE Governance Framework 2016 and the Accounts & Audit Regulations 2015.

**5. RISK IMPLICATIONS**

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

**6. CONSULTATION**

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

**7. OPTIONS APPRAISAL**

- 7.1 None: YPO must publish a Local Code of Corporate Governance, conduct an annual governance review, and report the results in an Annual Governance Statement, in accordance with the CIPFA/SOLACE Framework 2016 and the Accounts & Audit Regulations 2015.

**8. RECOMMENDATIONS**

- 8.1 The Board receive the first draft of the Annual Governance Statement 2019 for discussion and agreement, and note there are no changes to the Local Code of Corporate Governance following the 2019 update.

**9. REASONS FOR RECOMMENDATIONS**

- 9.1 The Local Code of Corporate Governance, and the annual governance review, that is reported in the Annual Governance Statement, are required to comply with the CIPFA / SOLACE Framework 2016 and the Accounts & Audit Regulations 2015.

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**APPENDICES**

*Appendix 1: Annual Governance Statement 2019 First Draft*

## Annual Governance Statement 2019

### Scope of Responsibility

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

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

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

### The Governance Framework

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

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

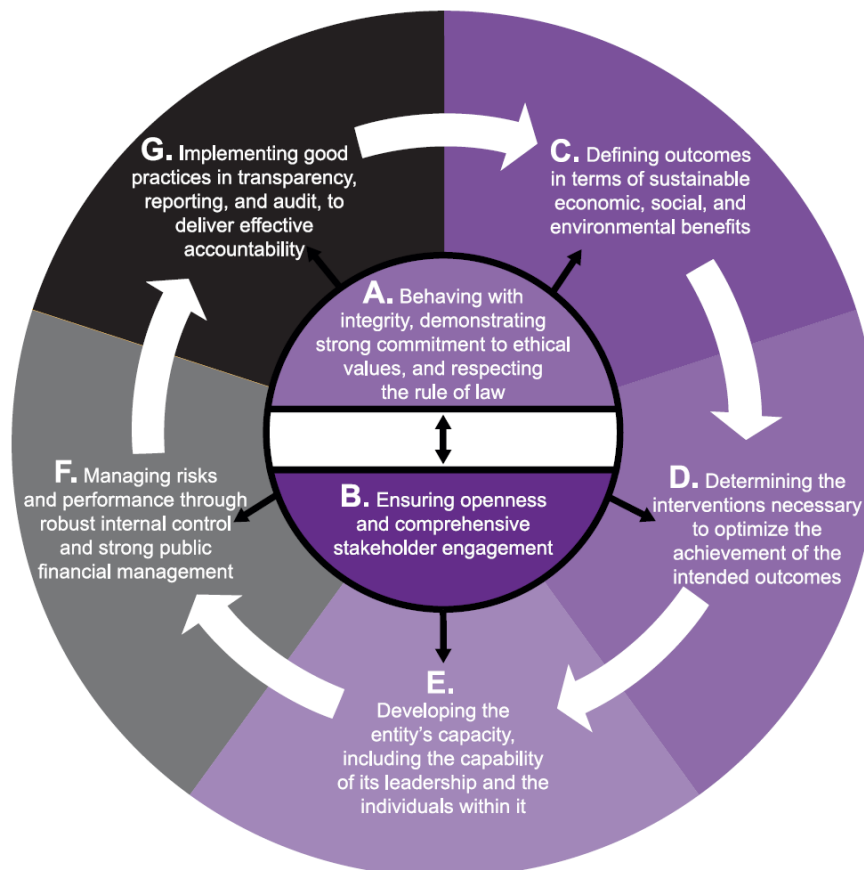
The system of internal control is a significant part of our governance framework and is designed to manage risk to a reasonable level. It helps us to identify and prioritise the risks to the achievement of our policies, aims and objectives, to evaluate the likelihood and potential impact of those risks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

The governance framework is kept under review and has been in place at YPO for the year ended 31<sup>st</sup> December 2019 and up to the date of approval of the statement of accounts.

## Annual Governance Statement 2019

### YPO's Local Code of Corporate Governance and Annual Governance Statement – Continuous Improvement in 2018 and 2019 – Simon Hill, Managing Director

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



In previous years we have published a longer Annual Governance Statement which contained detailed information on YPO's corporate governance arrangements and how they complied with the CIPFA / SOLACE principles. Publication of the new framework in 2016 gave us the opportunity to review what information we publish and where, and in 2017 we made some initial changes that we have built on in 2018 and 2019.

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

## **Annual Governance Statement 2019**

### **Purpose of the Annual Governance Statement**

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

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

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

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

## Annual Governance Statement 2019

### How does governance work in practice at YPO?

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

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

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

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

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



**Annual Governance Statement 2019****How has the Annual Governance Statement been prepared? - Paul Smith, Deputy Managing Director**

In preparing the Annual Governance Statement, YPO has:

- Reviewed our existing governance arrangements against the CIPFA / SOLACE 2016 framework, as reflected in our Local Code of Corporate Governance, to make sure they remain effective and up to date
- Completed a Board Assurance Process that gives Board Members the opportunity to reflect on governance in the past year and how we meet each of the principles and sub-principles set out in our Local Code. We don't wait until the annual review to take any action needed, but if there is anything still outstanding at the year end, we report it in the Annual Governance Statement, along with a plan for how we are, or are proposing, to address the issue in the following year
- Reviewed other sources of assurance and what this tells us about how governance and controls are working in practice at YPO. Our main sources of assurance are:
  - Wakefield Council – as our Lead Authority, the Council provides us with the services of a Chief Financial Officer (and S151 Officer) and Monitoring Officer, who play key roles in helping to ensure that YPO operates within financial and other regulatory requirements.
  - Wakefield Council also provides our Internal Audit function. The Internal Audit Team is responsible for providing an independent and objective opinion on the control environment within YPO. Their audit plan and subsequent findings are reported to the Directors of YPO, the Management Committee, and the Audit Sub-Committee. The Head of Audit has access to the Managing Director and Board Members at any time and submits an annual report each year.
  - External Audit, currently provided by Mazars, who examine our financial statements and highlight any matters for report on the annual governance statement.
  - The Management Committee – YPO is managed by a committee of elected representatives from our 13 public sector founder member local authorities.
  - Audit & Scrutiny Sub-Committee – this consists of 16 elected representatives from our 13 public sector founder members (not the Chair or Vice Chair of the Management Committee) – previously separate sub-committees the Audit and Scrutiny Sub-Committees were merged into one sub-committee from April 2017
  - The Senior Leadership Team and other senior managers who contribute to the development and maintenance of YPO's governance arrangements
  - The Independent Director: the postholder's role is to provide robust challenge and constructive questions to the Board; help to maintain standards of probity within the regulatory and governance framework; understand and demonstrate commitment to YPO's culture, ethos, objectives and values; and to report independently to each meeting of the YPO Management Committee.

## Annual Governance Statement 2019

### Review of Effectiveness

The [Management Committee](#) met five times in 2019 to consider matters such as:

- Internal Audit's Annual Report and Annual Plan
- External Audit Report and Appointment of External Auditors
- Pre-Audited and Final Statement of Accounts 2019
- YPO Strategy, Business Update, Financial Performance, Annual Report, and Governance Review
- YPO's Standing Orders for Contracts and Financial Procedure Rules
- Budget and Business Plan 2020
- Independent Director's Report

The Independent Director continued to play a key governance role on the Board.

The [Audit & Scrutiny Sub-Committee](#) met three times and considered matters such as:

- Internal Audit's Annual Report. Annual Plan, Progress, and IA Actions Update
- External Audit Report and Appointment of External Auditors
- Pre-Audited and Final Statement of Accounts 2019
- YPO's Standing Orders for Contracts and Financial Procedure Rules
- Annual review of Gifts & Hospitality
- Risk Registers

Wakefield Council Internal Audit's overall opinion on the systems of internal control at YPO during 2019 is: *(placeholder for 2019 opinion)*

"From the work undertaken by Internal Audit during 2018, key controls were found to be in place to manage associated risks to the required level. No significant errors, losses or omissions have been identified through the systems reviewed. Where opportunities for improvements have been identified, we have received a commitment from senior management to address the issues raised. On this basis a satisfactory overall opinion is provided for 2018, based on the audit work detailed within this report. The audit work undertaken to support this opinion has been conducted in accordance with the mandatory requirements of the Public Sector Internal Audit Standards."

We anticipate that Mazars will issue an unqualified opinion on YPO's 2019 Financial Statements and confirm that there are no matters to report in respect of their review of the Annual Governance Statement for compliance with the CIPFA/SOLACE framework

As part of the review of overall effectiveness, YPO Board Members considered the governance arrangements. No new issues were identified, and outstanding issues reported in the AGS 2018 review were followed up. As part of our commitment to continuous improvement, we plan to further strengthen arrangements in the areas identified in the next section of the report.



## Annual Governance Statement 2019

### Significant Governance Issues

The Annual Governance Statement 2018 identified several areas for improvement. Significant progress has been made during 2019 to improve governance in these areas with further work planned for 2020 in some areas.

YPO will review its partnership protocols. YPO is in the process of agreeing a new style Memorandum of Understanding to be used on joint activities with ESPO. The current draft is with the Contracts Team and is expected to be finalised in February 2020. YPO is working with CCS to develop new commercial agreements to be in place in the second quarter of 2020. CCS will provide example agreements for YPO to evaluate. The new agreements will reflect lessons learned from recent issues and include improved agility and greater protection for all parties.

Further improvement in demonstrating our ethical values was delivered in 2019. YPO Board approved a 'Social Value and Sustainability Strategy' that introduces our social and sustainability values and sets out our ambition to become a more sustainable and responsible business. Work has started with the Senior Leadership Team to plan objectives for 2020. Linked to the strategy a Responsible Procurement Policy has been drafted that defines how YPO will approach sustainable and responsible procurement and aims to embed the principles into YPO's procurement processes and decisions. There is also a wider remit to help strengthen YPO's social value offering including charitable activities, supplier initiatives, and marketing and communication information.

In 2018 we made significant improvements in our anti-fraud work, in particular in raising awareness of fraud and providing training and support to staff, and this continued in 2019. We published quarterly bulletins to raise awareness of fraud. We also continued to provide regular, targeted training: feedback shows that this has been successful in helping staff to recognise fraudulent communications and remain vigilant. Staff have identified a number of potential frauds, including procurement and supplier payment frauds, that were reported to Internal Audit and on to Action Fraud. This is an ongoing programme and training will continue and be further enhanced in 2020.

We also carried out an anti-bribery due diligence review in accordance with Ministry of Justice guidelines that helped to identify key areas of bribery risk and mitigations to reduce the risk of bribery and prosecution under the Bribery Act 2010.

We also planned to make better use of technology to improve internal control such as requiring electronic sign up to relaunched policies eg the Employee Code of Practice, Register of Employee Interests and Gifts & Hospitality. However resources were prioritised for the implementation on LINK and so this ambition will be carried forward into 2020.

**Annual Governance Statement 2019****The Role of the Audit & Scrutiny Sub-Committee – Chair Cllr David Warburton, Bradford MDC**

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

On behalf of the Audit & Scrutiny Sub-Committee I am delighted to approve the Annual Governance Statement 2019 and recommend it to the Management Committee for inclusion with the Statement of Accounts.

**Declaration**

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

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

Signed:

Chair of the Audit Sub-Committee

Managing Director

Date



**YPO**  
**AUDIT & SCRUTINY SUB COMMITTEE**  
**TO BE HELD ON**  
**14<sup>TH</sup> FEBRUARY 2020**

**SUBJECT: DRAFT STATEMENT OF ACCOUNTS 2019**

**REPORT OF: HEAD OF FINANCE**

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**1 PURPOSE OF REPORT**

- 1.1 To inform members that the draft Statement of Accounts will be tabled at the Audit and Scrutiny Sub Committee meeting to be held on the 14<sup>th</sup> February 2020.

**2 SUMMARY**

- 2.1 The draft Statement of Accounts for 2019 are currently being prepared and will be ready for review on the 14<sup>th</sup> February 2020.

**3 BACKGROUND**

- 3.1 In accordance with the Accounts and Audit Regulations, 2015 and taking into account relevant accounting codes of practice and applicable accounting standards, a Statement of Accounts will be prepared.
- 3.2 Although the compliance noted in 4.1 is no longer mandatory for YPO, as a Joint Committee, it was agreed at Management Committee in March 2016 that a non-statutory audit would still be needed and the accounts would be prepared each year in line with the relevant standards and regulations.
- 3.3 The audit is will take place in March 2020 for a period of two weeks.
- 3.4 The pre-audit statement of accounts will be examined by officers from the Lead Authority prior to the 14<sup>th</sup> February 2020.

- 3.5 Property valuations have been obtained from Norfolk Property Services as at December 2019 and adjustments to the accounts will be made in accordance with UK Generally Accepted Accounting Principles.
- 3.6 The pensions account will be adjusted in accordance with the recent actuarial valuation provided.

**SERVICE DIRECTOR: PAUL SMITH, DEPUTY MANAGING DIRECTOR**

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**YPO**

**AUDIT & SCRUTINY SUB COMMITTEE**

**TO BE HELD ON**

**14<sup>TH</sup> FEBRUARY 2020**

**TITLE: PROGRESS ON THE 2019 INTERNAL AUDIT PLAN**

**REPORT OF: SERVICE MANAGER FOR INTERNAL AUDIT & RISK**

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**1 PURPOSE OF REPORT**

- 1.1 This report is produced by the Service Manager for Internal Audit & Risk to provide this Committee with details of Internal Audit's performance and work.

**2 BACKGROUND INFORMATION**

- 2.1 The report, attached as Appendix A, records details of audit work undertaken and reports issued, between 1st January 2019 and 28<sup>th</sup> January 2020 December 2020.
- 2.2 In line with agreed protocols, a further progress report will be submitted to the next meeting of the Audit & Scrutiny Sub-Committee.

**3 STRATEGIC IMPLICATIONS**

- 3.1 Internal Audit's work includes involvement at a strategic level. A number of audits in the 2019 Internal Audit Plan link to various YPO strategic risks.

**4 FINANCIAL IMPLICATIONS**

- 4.1 There are no specific financial implications associated with this report. The cost of the audit work is met from the 2019 budget approved by YPO 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 Equality issues are taken into account when considering the Organisation's key strategic risks.

## **7 RISK IMPLICATIONS**

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

## **8 RECOMMENDATION**

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

### **Contact Officer:**

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

# **Internal Audit Progress Report**

## **As at 28 January 2020**

**REPORT OF:**

Jason Brook Service Manager for Internal Audit & Risk (Wakefield Council), Email address: [jasonbrook@wakefield.gov.uk](mailto:jasonbrook@wakefield.gov.uk)

## PURPOSE OF REPORT

1. The purpose of this report is to:
  - 1.1 Present to the YPO Audit & Scrutiny Sub-Committee details of Internal Audit's performance and work in relation to the 2019 Audit Plan.
  - 1.2 Highlight any significant issues arising from audit work and the current position on implementing agreed actions.

## PROGRESS ON THE 2019 AUDIT PLAN

2. The following table provides a progress update against the agreed Audit Plan for 2019.

Details of Audit and Key Messages
<p><b>Asset Management</b></p> <p><b>High-Level Scope:</b> To gain assurance that significant assets are properly accounted for and secured.</p> <p><b>Draft Audit Opinion:</b> This is still to be finalised but the draft opinions are <b>good for both control environment and compliance</b>.</p> <p>Audit testing has been completed and the initial findings have been discussed with the client. There are some opportunities for improving record keeping within the AssetTrac System in relation to ICT equipment and mobile phones so that it is consistent with policy requirements.</p>
<p><b>Creditors</b></p> <p><b>High-Level Scope:</b> To gain assurance on the effectiveness of controls for raising orders and making payments to suppliers of goods and services.</p> <p><b>Audit Opinion:</b> To be agreed.</p> <p>Audit testing has been completed and no material issues identified. There is a query with the Finance Team and once resolved the draft report will be issued.</p>
<p><b>GDPR Follow-Up</b></p> <p><b>High-Level Scope:</b> To seek assurance on the implementation of high-priority audit recommendations agreed in the follow up audit undertaken in 2018.</p> <p><b>Draft Audit Opinion:</b> A draft opinion of <b>acceptable</b> for the control environment and <b>limited</b> for compliance is provided.</p> <p>The draft audit report has been issued to the relevant key contacts for agreement and comments on the 6 high priority and 3 medium priority audit recommendations. Some of the key points are that responsibility for maintaining the GDPR checklist needs to be allocated; all officers must complete the mandatory GDPR training, and there needs to be a process for ensuring that personal and/or sensitive data is not actually being retained for longer than necessary.</p>
<p><b>Governance Arrangements – Business Planning</b></p> <p><b>High-Level Scope:</b> To gain assurance over the sufficiency of business planning documentation for decision making.</p> <p><b>Audit Opinion:</b> To be agreed.</p> <p>The scope of the audit has been agreed and testing will be concluded during February 2020.</p>



Details of Audit and Key Messages
<b>Health and Safety Arrangements</b>  <b>High-Level Scope:</b> To gain assurance on YPO compliance with key Health and Safety requirements and industry good practice, in particular ISO45001.  <b>Draft Audit Opinion:</b> This is still to be finalised but the draft opinions are <b>good</b> for the control environment and <b>substantial</b> for compliance.  No significant issues have been identified and we have recommended that safe systems of working should be displayed at the location of all operated machinery and equipment, and that the Health and Safety Manager should be fully involved in providing updates to the operational H&S risk (BSM-003).
<b>Rebate Income</b>  <b>High-Level Scope:</b> To gain assurance on the adequacy of controls relating to rebate income.  <b>Draft Audit Opinion:</b> This is still to be finalised but the draft opinions are <b>good</b> for the control environment and <b>substantial</b> for compliance.  No significant issues have been identified and a draft report has been issued. We have recommended that a working paper be produced to explain the assumptions being made in calculating the expected year end position for accruals.

4. All audit work will be completed in time for the annual head of internal audit assurance opinion and draft Annual Governance Statement that will be presented to this Committee in July 2020.

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**YPO**

**AUDIT & SCRUTINY SUB-COMMITTEE**

**TO BE HELD ON**

**14<sup>TH</sup> FEBRUARY 2020**

**TITLE: INTERNAL AUDIT ACTIONS UPDATE**

**REPORT OF: DEPUTY MANAGING DIRECTOR**

---

**1. BACKGROUND INFORMATION**

- 1.1 The purpose of this report is to provide an update on the progress made on agreed audit actions resulting from audits completed by Wakefield Council Internal Audit.
- 1.2 YPO is subject to a statutory, ongoing internal audit of all relevant business risks, as part of the agreed Annual Audit Plan delivered by Wakefield Council Internal Audit. Internal Audit review the controls in place to manage YPO's risks and provide positive assurance where they find them to be working effectively. They also identify any areas for improvement and complete an action plan for agreement with YPO. Agreed actions are assigned to a named owner with a date for completion: they are then monitored on a regular basis and reported to the Board and the Audit Sub-Committee regularly.
- 1.3 Audit actions are assigned to action owners and monitored using SharePoint to ensure that they are updated and completed by agreed dates or reasons are given for extensions. Audit & Scrutiny Sub-Committee last received an Internal Audit Actions Update report in February 2019. At that time there were no outstanding audit actions to report. However Internal Audit were in the process of completing a number of audits that were ongoing at the end of December 2018: further audits were ongoing during 2019. In total, 56 audit actions were due for completion in 2019, of which 53 have been completed. Details of the three outstanding actions are shown in Appendix 1 to this report. As in previous years Internal Audit are in the process of completing the 2019 planned audits and any actions arising from these will be reported in due course.

**2. STRATEGIC IMPLICATIONS**

- 2.1 There are no strategic implications arising from this report.

**3. FINANCIAL/RESOURCE IMPLICATIONS**

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

**4. LEGAL IMPLICATIONS**

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

**5. RISK IMPLICATIONS**

- 5.1 Wakefield Council Internal Audit review the controls in place to manage the risks in YPO's systems and processes. It is essential that any actions they identify to improve controls are completed to reduce the likelihood and impact of those risks.

**6. CONSULTATION**

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

**7. OPTIONS APPRAISAL**

- 7.1 None: we must implement agreed actions to ensure that the controls to manage risks remain in place and working effectively.

**8. RECOMMENDATIONS**

- 8.1 That the Board and Audit & Scrutiny Sub-Committee note progress on completing Internal Audit actions.

**9. REASONS FOR RECOMMENDATIONS**

- 9.1 The report provides assurance to the Board and Audit & Scrutiny Sub-Committee that identified weaknesses in controls have been addressed.

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**APPENDICES**

*Appendix 1: Outstanding Internal Audit Actions as at 31<sup>st</sup> December 2019*

**Appendix 1 Outstanding Internal Audit Actions as at 31<sup>st</sup> December 2019**

Audit Title	YPO Workforce Development
Audit Ref	AA01
Audit Date	10/07/2018
Assigned To	Jo Freeman
Assigned Date	10/07/2018
Due Date	31/03/2019
Action Status	2. In Progress
Priority	3. Low
Audit Action	The next revision of the People Strategy will include reference to all contingent staff such as consultants, contractors and agency staff, along with any outsourced activity that is undertaken in the name of YPO.
Action Taken	The People Strategy is currently being completed and will be ready for presentation to the Board early in 2020. It is envisaged it will support any future organisational strategy with the necessary amendments to reflect YPO's direction from 2021. Appropriate references to the above mentioned groups will be included.
Audit Title	Anti-Fraud & Bribery Arrangements
Audit Ref	AA04
Audit Date	22/10/2018
Assigned To	Jo Freeman
Assigned Date	22/10/2018
Due Date	29/03/2019
Action Status	2. In Progress
Priority	1. High
Audit Action	The Head of HR to ensure that the Employee Code of Conduct is reviewed and updated. Once approved this to then be issued to all staff in an appropriate form (electronically where practicable to allow for better monitoring of returns) for staff to read and confirm they understand and will abide by the Code.
Action Taken	After a number of extensions the Employee Code of Conduct is currently with the Trade Unions for review: however it missed the December 2019 Board due to the timing of the Trade Union meeting where policies are agreed and the shortened deadline due to Christmas. Once the content is agreed the document will need to go to the Creative Team before finally being issued. Realistically a deadline of February 2020 would allow them to fit this into their schedule.
Audit Title	Warehouse Management and Stock Control Process 2018
Audit Ref	AA09
Audit Date	25/01/2019
Assigned To	Adrian Field
Assigned Date	25/01/2019
Due Date	26/11/2019
Action Status	2. In Progress
Priority	2. Moderate
Audit Action	In going forward development of the digital driver facilities will be used by drivers as a way of facilitating collection and transport of goods to be returned to YPO.
Action Taken	Ongoing feasibility study with Masternaught and Paragon with potential implementation date Dec 19 deferred due to Link Project movement

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# Audit Progress Report

YPO

February 2020





## CONTENTS

1. **Audit progress**
2. **National publications**

This document is to be regarded as confidential to YPO. It has been prepared for the sole use of the Audit & Scrutiny Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.



# 1. AUDIT PROGRESS

## Purpose of this report

This report provides the Audit & Scrutiny Committee with an update on progress in delivering our responsibilities as your external auditors.

## Audit progress

Since the Committee last met we have:

- Undertaken our interim audit work. This has incorporated:
  - Documenting our understanding of the Organisation's corporate governance and control framework as it relates to our audit responsibilities.
  - Documenting our understanding of the key financial systems relevant to the financial statements, and the key controls that the Organisation has in place to prevent, detect and correct material misstatements to the financial statements
  - Carrying out walkthrough tests of key controls to confirm that they are operating in the manner they have been designed.
- Maintained regular liaison with the finance team to understand how the Organisation is continuing to manage its risks.
- Held specific discussions on the Organisation's implementation of its new integrated IT system in December 2019.
- Planned our year end audit visit to carry out the detailed testing of the entries in the draft financial statements.

Our work is progressing as planned with no issues to discuss with the Committee. From the work carried out to date there are no matters to raise with the Audit & Scrutiny Committee.

One matter that we take this opportunity to update the Committee about is our External Audit Team. The Engagement Lead for the external audit has changed since our audit plan was presented to Committee. The new Engagement Lead is one of our Partners, Craig Maxwell. We have undertaken internal handover discussions to ensure that Craig is fully briefed in YPO, and are in the process of arranging introductions with YPO Directors.

## 2. NATIONAL PUBLICATIONS

	Publication/update	Key points	Page
<b>Chartered Institute of Public Finance and Accountancy (CIPFA)</b>			
1	<b>A practical guide for Local Authorities on Income Generation (2019 edition)</b>	Guidance to assist Councils	5
2	<b>Local Government Financial Resilience index</b>	Online data tool which measures local authorities against a range of indicators to assess their level of resilience.	5
3	<b>Financial Management Code</b>	Guidance for good and sustainable financial management in local authorities.	6
4	<b>Prudential Property Investment</b>	Guidance on prudent investments in commercial properties.	6
<b>Ministry of Housing, Communities &amp; Local Government (MHCLG)</b>			
5	<b>Review of local authority financial reporting and external audit</b>	Announcement of a wide ranging review of financial reporting and external audit in the sector	7
<b>Mazars</b>			
6	<b>Mazars' response to the Brydon Review</b>	Mazars' response to the latest review into the auditing profession which was published in December 2019.	8
7	<b>Rethinking Social Value: Unlocking Resources to Improve Lives</b>	Sector-leading think piece on Social Value	9
8	<b>Annual Transparency Report</b>	Sets out the steps we take to enhance the quality of our audit work and ensure that quality is consistent across the firm.	9

## 2. NATIONAL PUBLICATIONS – CIPFA

### 1. A practical guide for Local Authorities on Income Generation (2019 edition), CIPFA, July 2019

CIPFA's revised income generation guide reflects on the income generation issues of 2019 and the changes that are being made.

The issues that are examined in this publication include:

- the need for thorough testing and business cases to robustly assess income proposals;
- the impact of the 2018 MHCLG Statutory Investment Guidance; and
- how the pattern of local authority income is changing.

The guide will allow councils to maximise their income potential against a backdrop of Brexit uncertainties and other economic changes. With more authorities relying on income generation to balance their budgets, the guide can help finance staff stand at arms-length to ensure councils act prudently.

The publication also has practical guidance on income generation for different service areas and there is a full coverage of discretionary charging rules.

<https://www.cipfa.org/policy-and-guidance/publications/a/a-practical-guide-for-local-authorities-on-income-generation-2019-edition>

### 2. Local Government Financial Resilience index, CIPFA, December 2019

The resilience index is an online data tool which measures local authorities against a range of indicators to assess their level of resilience against financial shocks and to support financial decision making. Upper tier authorities are judged against nine indicators including social care.

The indicators measured include:

- levels of reserves;
- change in reserves;
- reserves sustainability;
- interest payable/net revenue expenditure;
- gross external debt;
- social care ratio;
- fees and charges to service expenditure ratio;
- council tax requirement/net expenditure ratio; and
- growth above baseline.

The tool allows for year on year comparisons of each authority's performance, as well as comparisons with similar and neighbouring authorities. Trend analysis is also available for some of the indicators outlined above.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-launches-local-government-financial-resilience-index>

## 2. NATIONAL PUBLICATIONS – CIPFA

### 3. Financial Management Code, CIPFA, October 2019

Strong financial management is an essential part of ensuring public sector finances are sustainable. The Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities and aims to provide assurance that they are managing resources effectively.

It requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The FM Code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management. Complying with the standards set out in the FM Code is the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team. Complying with the FM Code will help strengthen the framework that surrounds financial decision making.

The FM Code built on elements of other CIPFA codes during its development and its structure and applicability will be familiar to users of publications such as The Prudential Code for Capital Finance, Treasury Management in the Public Sector Code of Practice and Code of Practice on Local Authority Accounting in the United Kingdom.

The Code applies to all local authorities, including police, fire and other authorities.

By following the essential aspects of the FM Code, local authorities are providing evidence to show they are meeting important legislative requirements in their jurisdictions.

The first full year of compliance will be 2021/22. This reflects the recognition that organisations will need time to reflect on the contents of the Code and can use 2020/21 to demonstrate how they are working towards compliance.

<https://www.cipfa.org/policy-and-guidance/publications/f/financial-management-code>

### 4. Prudential Property Investment, CIPFA, November 2019

Increasingly there has been a move towards investments in commercial properties, funded by borrowing, with the key driver of this activity appearing to be the generation of revenue. This publication provides guidance on making the assessments needed to ensure that such acquisitions are prudent and on the risks local authorities must manage when acquiring property.

Statutory investment guidance from the Ministry of Housing, Communities and Local Government (MHCLG) last year set out clearly that local authorities need to consider the long-term sustainability risk implicit in becoming too dependent on commercial income, or in taking out too much debt relative to net service expenditure.

The increased scale of investment in property was recognised by revisions to CIPFA's Prudential Code for Capital Finance and the Treasury Management Code in 2017, but the growing amounts being borrowed for such a purpose are putting a strain on the creditability of the Prudential Framework and reinforce the need to ensure that such acquisitions are affordable, prudent and sustainable.

In addition to the core issue of borrowing in advance of need, which the Prudential Code has very clear provisions on, this publication provides guidance on the risk perspective to the practical assessment of prudence and affordability. Those risks could be very difficult to manage. Even when these issues are managed and there is reliance on investment income, a potential failure or a downturn of the property market may have a direct impact upon local services.

This publication considers such issues and the actions local authorities would need to take to mitigate against such risks.

<https://www.cipfa.org/policy-and-guidance/publications/p/prudential-property-investment>

## 2. NATIONAL PUBLICATIONS – MHCLG

### 5. Review of local authority financial reporting and external audit, September 2019

The Ministry of Housing, Communities and Local Government announced in September that they had appointed Sir Tony Redmond to conduct a review of the arrangements in place to support the transparency and quality of local authority financial reporting and external audit including those introduced by the Local Audit and Accountability Act 2014. The review will not look at broader issues of local authority finances and sustainability.

The review will examine the existing purpose, scope and quality of statutory audits of local authorities in England and the supporting regulatory framework to in order to determine:

- Whether the audit and related regulatory framework for local authorities in England is operating in line with the policy intent set out in the Act and the related impact assessment;
- Whether the reforms have improved the effectiveness of the control and governance framework along with the transparency of financial information presented by councils;
- Whether the current statutory framework for local authority financial reporting supports the transparent disclosure of financial performance and enables users of the accounts to hold local authorities to account; and
- To make recommendations on how far the process, products and framework may need to improve and evolve to meet the needs of local residents and local taxpayers, and the wider public interest.

As part of the review, MHCLG have issued a “Call for Views” which is linked below, along with the review’s terms of reference.

<https://www.gov.uk/government/publications/review-of-local-authority-financial-reporting-and-external-audit-terms-of-reference>

<https://www.gov.uk/government/consultations/review-of-local-authority-financial-reporting-and-external-audit-call-for-views>

## 2. NATIONAL PUBLICATIONS – MAZARS

### 6. Mazars' response to the Brydon Review, *Mazars*, December 2019

The Brydon Review is one of four key reviews into the scope and quality of audit, namely:

- Competition and Market's Authority (CMA): resilience and competition in the audit market;
- Kingman's Review (review of the Financial Reporting Council and regulatory oversight);
- The Brydon Review (tone and aspirations for the future of the industry); and
- The Redmond Review (quality of local authority financial reporting and external audit).

The Brydon Review contains various recommendations and essentially recommends a major overhaul of audit which would see the creation of a separate 'corporate auditing profession', greater focus on fraud detection during audits, and the replacement of the 'true and fair' concept, with a greater focus on going concern.

Mazars' response to the latest Brydon Review report issued in December 2019 is detailed per the link below.

<https://www.mazars.co.uk/Home/News-Events/Latest-news/Mazars-response-to-the-Brydon-report>

#### Link to the Brydon Review

Published in December 2019, focusing on the quality and effectiveness of audit.

<https://www.gov.uk/government/publications/the-quality-and-effectiveness-of-audit-independent-review>

#### Link to the Kingman's Review

Published in December 2018, this review recommended the replacement of the Financial Reporting Council with a new independent statutory regulator, accountable to Parliament. The new regulator will be called the Audit, Reporting and Governance Authority (ARGA).

<https://www.gov.uk/government/news/independent-review-of-the-financial-reporting-council-frc-launches-report>

#### Link to the Redmond Review (see item 5 for additional information on the Redmond Review)

At the time of writing this report, the outcome from the Redmond Review has not been published.

<https://www.gov.uk/government/consultations/review-of-local-authority-financial-reporting-and-external-audit-call-for-views>

## 2. NATIONAL PUBLICATIONS – MAZARS

### 7. Rethinking Social Value: Unlocking Resources to Improve Lives, June 2019

Mazars have issued a sector leading think piece on Social Value.

This report utilises the knowledge and understanding we have access to as one of the largest auditors of the wider public sector, with involvement across the public sector.

The report reflects views from our clients in the public and not-for-profit sectors on how social value is defined, delivered and its impact on communities. We are pleased to share the results of this research in our brand new report: *'Rethinking social value: unlocking resources to improve lives'*.

The report focuses on:

- the opportunities around social value;
- leadership, communication, and building support;
- case studies highlighting innovative approaches in charities, not-for-profits and private sector partnerships; and
- how to measure the impact of social value.

<https://www.mazars.co.uk/Home/Industries/Public-Services/Public-Services-Insights/Rethinking-Social-Value>

### 8. Annual Transparency Report, Mazars, December 2019

Mazars produces an annual transparency report, setting out the steps we take to enhance the quality of our audit work and ensure that quality is consistent across the firm. The report includes:

- Public Interest Committee Report;
- UK Governance Council Report;
- Inspiring Stakeholder Confidence in Audit Quality (including quality monitoring and audit quality indicators);
- Our risks; and
- Structure, Leadership and Governance.

Link to the latest report issued in December 2019 is set out below.

<https://www.mazars.co.uk/Home/About-us/Corporate-publications/Transparency-reports/Mazars-UK-Transparency-Report-2018-2019>

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**YPO**  
**AUDIT & SCRUTINY SUB-COMMITTEE**  
**TO BE HELD ON**  
**14<sup>TH</sup> FEBRUARY 2020**

**TITLE: GIFTS AND HOSPITALITY REGISTER**

**REPORT OF: DEPUTY MANAGING DIRECTOR**

---

**1. BACKGROUND INFORMATION**

- 1.1 As part of its Anti-Fraud & Bribery Framework, YPO maintains a Gifts & Hospitality Policy that sets out the protocols that employees must follow to accept or decline all offers of gifts and hospitality and to declare such offers. The policy also applies to employees who offer gifts and hospitality on behalf of YPO during the course of their work. The Policy was fully revised and agreed by the Board in October 2018.
- 1.2 The Policy requires employees to complete a declaration of offers made and received in a Gifts & Hospitality Register maintained by Business Services. The register is reviewed annually and items valued over £25 are reported to the Board and the Audit & Scrutiny Sub-Committee.
- 1.3 In 2019 there were 15 declarations of gifts and hospitality, of which 13 were offers made to YPO employees, and two were made by YPO employees. All were accepted and approved by a senior manager. Ten of the offers were in excess of £25, including the two made by YPO, and are reported in Appendix 1 in accordance with YPO Policy. For commercial confidentiality purposes names of the employees and organisations involved have not been included in Appendix 1 but are listed in the completed register which is available from Business Services.

**2. STRATEGIC IMPLICATIONS**

- 2.1 We recognise that our stakeholders need to have confidence in our employees, in particular those with influence and those responsible for our strategic and business planning and delivery, decision making and risk management, to act with integrity and to maintain YPO's good reputation.

**3. FINANCIAL/RESOURCE IMPLICATIONS**

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

**4. LEGAL IMPLICATIONS**

- 4.1 Completion of declarations recorded in and Gifts & Hospitality Register in accordance with the Policy enables YPO to demonstrate compliance with relevant legislation including Section 177 of the Local Government Act 1972 and the Bribery Act 2010.

**5. RISK IMPLICATIONS**

- 5.1 The Gifts & Hospitality Policy and annual review of the Gifts & Hospitality Register helps to mitigate the risk that an offer or acceptance may be unlawful or inappropriate and may influence, or may be perceived to influence, a person or decision, leaving YPO open to challenge and potential reputational damage.

**6. CONSULTATION**

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

**7. OPTIONS APPRAISAL**

- 7.1 None: YPO must have a Gifts & Hospitality Policy and a Register of Declarations.

**8. RECOMMENDATIONS**

- 8.1 That the Board and the Audit & Scrutiny Sub-Committee review the extract from the Gifts & Hospitality Register (Appendix 1) showing declarations valued over £25.

**9. REASONS FOR RECOMMENDATIONS**

- 9.1 The Gifts & Hospitality Policy and Register are key elements of our Anti-Fraud & Bribery Framework and help to manage the risks arising to YPO and its employees from accepting, declining or making offers of gifts and hospitality.

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**APPENDIX:**

*Appendix 1: Extract from the Register of Gifts & Hospitality 2019*

## Register of Gifts &amp; Hospitality 2019 Extract: Items valued £25 and over

Department	Offering Organisation	Purpose of the Offer	Date	Accepted / Declined	Estimated Value	Approved by
ELOS	Partner / supplier	2 day review of partnership and progression planning	14/04/2019	Accepted	£120	Line Manager
Learning and Development	Supplier	Completed customer feedback questionnaire	12/07/2019	Accepted	£35	Line Manager (SLT)
Procurement Services	Official procurement partner	New partnership	27/09/2019	Accepted	£120 per head	Line Manager (SLT) / Board Member
Procurement Services	Official procurement partner	New partnership	27/09/2019	Accepted	£120 per head	Line Manager (SLT) / Board Member
Procurement Services	Official procurement partner	New partnership	27/09/2019	Accepted	£120 per head	Line Manager (SLT) / Board Member
Procurement Services	Official procurement partner	New partnership	27/09/2019	Accepted	£120 per head	Line Manager (SLT) / Board Member
Food Team	Trade show raffle	None: free to enter raffle	31/10/2019	Accepted	£200	Line Manager
Head of Public Sector	Partner	Thank you for presenting at trade event	22/11/2019	Accepted: donated for raffle	£250	Board Member
Board	YPO Board Member	Customer and supplier relationship - events	22/11/2019	Accepted	£99	Board Member
Head of Education	YPO SLT Member	Customer & Supplier relationships	22/11/2019	Accepted	£113	Board Member

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**YPO**

**AUDIT & SCRUTINY SUB-COMMITTEE**

**TO BE HELD ON**

**14<sup>TH</sup> FEBRUARY 2020**

**TITLE: FINANCIAL PROCEDURE RULES & STANDING ORDERS FOR CONTRACTS**

**REPORT OF: DEPUTY MANAGING DIRECTOR**

---

**1. BACKGROUND INFORMATION**

- 1.1 The Financial Procedure Rules and Standing Orders for Contracts are key elements of YPO's governance arrangements and make a clear, transparent statement that aims to promote the highest standards in financial and contract management and activity. They should be reviewed and updated on a regular basis to ensure compliance with current regulations and best practice and to consult founder members, as set out in the Management Agreement.
- 1.2 A full review and rewrite of the Financial Procedure Rules was approved by the Board in January 2018 and the Audit & Scrutiny Sub-Committee in February 2018. They were reviewed again in January 2019 by the Head of Finance and no changes were reported. They were due to be reviewed and reported again in January 2020. However it is proposed that this review is deferred by approx. three months to reflect any changes needed following implementation of the LINK Project in late 2019 and the UK's expected Brexit from the EU at the end of January 2020. Once updated, training will be delivered across YPO.
- 1.3 Standing Orders for Contracts were last reported to the Board and Audit & Scrutiny Sub-Committee in early 2019. As with the Financial Procedure Rules, it is proposed to defer the next review, due January 2020, until after Brexit. That review will take the opportunity to append a template that sets out definitions of emergency expenditure, taken from the Procurement Regulations 2015. This reflects recent work to update the Business Continuity Plans and the need to define emergency expenditure to ensure exemptions from Standing Orders for Contracts are used appropriately in this context.

**2. STRATEGIC IMPLICATIONS**

- 2.1 Strong contract and financial management procedures and controls are essential to the delivery of YPO's three year strategy and objectives, and to the good relationship between YPO and its Management Committee.

**3. FINANCIAL/RESOURCE IMPLICATIONS**

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

**4. LEGAL IMPLICATIONS**

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

**5. RISK IMPLICATIONS**

- 5.1 There is a risk that officers will not comply with the Financial Procedure Rules and Standing Orders for Contracts: this risk will be mitigated by ensuring that mandatory training takes place for all relevant staff.

**6. CONSULTATION**

- 6.1 The Contracts Manager and the Head of Finance have been consulted on this report.

**7. OPTIONS APPRAISAL**

- 7.1 None: Financial Procedure Rules and Standing Orders for Contracts are key elements of YPO's governance arrangements and regular reviews ensure they reflect the most up to date regulation.

**8. RECOMMENDATIONS**

- 8.1 The Board and the Audit & Scrutiny Sub-Committee note that there are no changes to the Financial Procedure Rules in 2019 but that they will be reviewed again in early 2020 to reflect any changes needed following implementation of the LINK Project in late 2019 and the UK's expected Brexit from the EU at the end of January 2020.
- 8.2 The Board and the Audit & Scrutiny Sub-Committee note that there are no changes to Standing Orders for Contracts at this time but that they will be reviewed again in early 2020 following Brexit, and at that time emergency expenditure will be clearly defined in accordance with the Procurement Regulations 2015.

**9. REASONS FOR RECOMMENDATIONS**

- 9.1 Financial Procedure Rules and Standing Orders for Contracts are key elements of YPO's governance arrangements.

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