

# YORKSHIRE PURCHASING ORGANISATION

## AUDIT & GOVERNANCE SUB-COMMITTEE

FRIDAY, 7<sup>TH</sup> JULY 2023

**Present:** Councillors: Barnes (Calderdale), Atkin (Rotherham), Turner (Kirklees), Franklin (Barnsley).

<b>1.</b>	<b>CHAIR'S INTRODUCTION &amp; WELCOME</b>
	<p>Introductions took place.</p> <p>The committee noted thanks to Neil Warren for his time as S151 Officer.</p>
<b>2.</b>	<b>ACCEPTANCE OF APOLOGIES FOR ABSENCE</b>
	<p>Apologies for absence were received on behalf of Councillor Walsh (Knowsley).</p>
<b>3.</b>	<b>MEMBERS DECLARATION OF INTEREST</b>
	<p>No declarations of interest were made.</p>
<b>4.</b>	<b>URGENT ITEMS</b>
	<p>No urgent items were raised.</p>
<b>5.</b>	<b>PREVIOUS AUDIT &amp; GOVERNANCE SUB COMMITTEE MINUTES</b>
	<p>The minutes of the YPO Audit &amp; Governance Sub-Committee held on 4<sup>th</sup> November 2022 were approved by all.</p>
<b>6.</b>	<b>AUDIT &amp; GOVERNANCE SUB COMMITTEE TERMS OF REFERENCE &amp; WORK PROGRAMME 2023-2024</b>
	<p>Consideration was given to the report of the Managing Director which provided members with an overview of the work scheduled for the 2023/24 committee cycle.</p> <p>The report also proposed the Terms of Reference, Principal Agenda Items, and 2023/24 Meeting Schedule.</p> <p>Simon Hill reiterated that Members are welcome to bring other items to the committee when they feel it necessary, the principal agenda items are a guideline.</p> <p>Jason Brook, Service Manager for Internal Audit &amp; Risk (Wakefield Council), raised that it would be useful to bring an indicative internal audit plan for the following year to the November Audit &amp; Governance sub committee's going forward.</p>

	<p><b>Resolved</b> – (1) That the report be noted and submitted to the Management Committee on 21<sup>st</sup> July for sign off by all Members.</p> <p>(2) It was agreed to add a report on the indicative Internal Audit Plan for 2024 to the principal agenda items for the November 2023 Audit &amp; Governance sub-committee meeting.</p>
<b>7.</b>	<b>LOCAL CODE OF GOVERNANCE &amp; ANNUAL GOVERNANCE STATEMENT 2022</b>
	<p>The Managing Director (Simon Hill) talked through the report. YPO must comply with the CIPFA / SOLACE: Delivering Good Governance in Local Government Framework 2016 and Accounts &amp; Audit Regulations 2015. Compliance involves three key elements: publishing a Local Code of Governance (that reflects the requirements of the framework); undertaking an annual review of activity against the local code (in accordance with ‘proper practice’); and publishing the results of the review in an Annual Governance Statement (AGS).</p> <p>Simon explained we are looking to pull together a central business governance team to upgrade our adherence to governance going forward.</p> <p>We are also strengthening our commitment to social value and sustainability; the report goes into detail on what we have put in place in these areas.</p> <p>Helen Lisle raised that the document refers to two Non-Executive Directors. It was agreed this would be amended to one.</p> <p><b>Resolved</b> - (1) The Audit &amp; Governance Sub-Committee agree the updated Local Code of Governance and the draft Annual Governance Statement 2022, subject to the one amend.</p>
<b>8.</b>	<b>POLICIES &amp; PROCEDURES REVIEW</b>
	<p>Consideration was given to a report of the Head of Finance entitled Policies &amp; Procedures Review.</p> <p><b>Resolved</b> - (1) That Members note the contents of the table at appendix 1.</p>
<b>9.</b>	<b>INTERNAL AUDIT PLAN 2023</b>
	<p>Consideration was given to the report of the Service Manager for Internal Audit &amp; Risk (Wakefield Council) which provided Members with a proposed Internal audit plan for 2023.</p> <p>Jason Brook talked through the key headlines of the report and provided a commentary around the potential gaps in assurance, with the areas not covered by internal or external audit.</p> <p>Jason raised that it would be useful to highlight cyber security as it is such a large risk area. Shaun (Mazars) echoed the comments around cyber security.</p>

	<p>Cllr Barnes agreed he would like IT and cyber security to be pulled out further as a future focus for internal audit and YPO.</p> <p>Julie Hawley explained we have a lot of activity in place from our IT team and we can bring some stats on this back to a future committee if that would be useful.</p> <p><b>Resolved</b> – (1) That the report be noted.</p> <p>(2) It was agreed that an assurance report focussing on Cyber Security will be brought to a future sub-committee.</p>
<b>10.</b>	<b>INTERNAL AUDIT ACTION UPDATE</b>
	<p>The Executive Director Finance (Julie Hawley) talked through the internal audit action update report, which provides an update on the progress made on agreed audit actions resulting from audits completed by Wakefield Council Internal Audit.</p> <p>Julie explained there were 39 audit actions arising from 6 audits from the 2021 plan finalised in 2021 / 2022. All but one high priority actions have been fully completed. Some medium or low priority actions are partially completed: initial work to address any control weaknesses is done but there is scope for further improvement e.g., through system developments so the action is not yet marked complete.</p> <p><b>Resolved</b> – (1) That the Audit &amp; Governance Sub-Committee note the progress on completing Internal Audit actions.</p>
<b>11.</b>	<b>EXTERNAL AUDIT COMPLETION REPORT</b>
	<p>Jordan Townend and Shaun Mullins (Mazars) shared the External Audit completion report. Shaun introduced himself to the committee.</p> <p>Jordan talked through the key headlines of the report. It was noted there is still work to be done on accounting for the local government pension scheme surplus.</p> <p>A discussion was held around the format of the YPO Accounts. As the external audit is a voluntary one, we can amend the information that is published in the accounts. Neil Warren noted his agreement with this proposal, and it is also around ease of understanding.</p> <p>Jordan noted the YPO team have worked hard to review the IT access concerns raised previously, and steps have been taken around the process for asset disposal to ensure the finance team are made aware.</p> <p>Jordan talked through the adjustments.</p> <p><b>Resolved</b> – (1) That the report be noted.</p>

<b>12.</b>	<b>AUDITED STATEMENT OF ACCOUNTS</b>
	<p>Consideration was given to the report of the Head of Finance which provided Members with the details of the Audited Statement of Accounts for 2022.</p> <p>Julie Hawley (Executive Director) talked through the report and accounts.</p> <p>Julie noted that we achieved our targets for 2022.</p> <p>A discussion was held around the format of the published accounts. Simon Hill noted that this is a voluntary audit, the strong recommendation to continue to have an external audit still remains, we are just proposing an amend to the format.</p> <p><b>Resolved</b> – (1) That the outstanding matters, and likely nil impact when resolved, are noted and the audited Statement of Accounts still be approved for signing for 2022.</p> <p>(2) For any changes made to the audited accounts following this meeting and due to be presented for signing at the Management Committee to be circulated to the Audit and Governance Committee prior to the Management Committee on the 21<sup>st</sup> July 2023.</p> <p>(3) That the proposed changes in reporting formats from 2023 are noted and approved.</p>
<b>13.</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 items 14 - 17 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>
<b>14.</b>	<b>ANNUAL ASSURANCE OPINION 2022</b>
	<p>Consideration was given to the report of the Service Manager for Internal Audit &amp; Risk (Wakefield Council) which provides Members with an update on the strength of YPO's governance, risk management, and control environment.</p> <p>Jason noted his apologies that not all audit work has been finalised. Meetings have been held with Julie Hawley and Simon Hill to discuss and resolve the outstanding issues.</p> <p>Jason talked through the table contained in the report.</p> <p>Jason noted that we have now put things in place to address the timing issues, and Wakefield and YPO are working together on this.</p> <p>Simon noted the timing issues were joint issues between YPO &amp; internal audit. We have learnt from this and have an agreed way forward.</p> <p>A discussion was held around the invoice system matching issues. Julie confirmed the issues are with a third-party system called Compleat rather than</p>

with NAV. Helen Lisle confirmed she has seen plans around these issues and has confidence the Executive and finance teams had the issues in hand, plus had relevant project support in place as soon as the issues arose.

Cllr Barnes confirmed he was also aware and has spoken to Simon on this.

Jason suggested it may be useful to add an agenda item to future FD Forum's around local authority debtors to address any debt issues sooner. Julie agreed this can be a challenge, but we are working on it.

A discussion was held around Health & Safety. Jacquie Lightfoot confirmed our new Health & Safety Manager started at YPO 4 weeks ago and is fitting in well.

It was noted we are currently in the process of introducing a system to support with rebate income. Helen noted it is important to recognise the dual role between customers and YPO on this.

Cllr Barnes asked if we are confident steps have been taken to ensure we are not in the same position next year in regard to audit timings?

Jason stated that bringing the indicative plan to the November meeting should definitely help with this. Internal audit has also introduced quarterly meetings with the YPO finance team and agreed to some blocked out times to complete the audits. Non-financial audits will be prioritised at the beginning of the year.

Jason explained that internal audit protocol has also been updated, to ensure that Julie Hawley is copied into all draft reports, and also Simon Hill is copied in where relevant.

A full report on the Annual Assurance Opinion will be provided to the 21<sup>st</sup> July 2023 Management Committee.

**Resolved** – (1) That the Internal Audit Opinion Report be noted.

**15. RISK MANAGEMENT UPDATE REPORT**

Julie Hawley (Executive Director Finance) shared the Risk Management Update report.

A Risk Workshop took place with Members in February, and then a subsequent internal risk workshop was held in March.

Julie noted that a demo on the new risk management system will be brought to the November Audit & Governance Sub Committee.

Jason Brook raised that the comments in this report provides a good level of assurance around cyber security, therefore could the risk status be review? Julie explained we are keeping cyber security as a very high currently due to us having a lot of system reviews/ changes. We want to ensure the appropriate controls remain in place.

Neil Warren said it would be useful to understand the timescales around bringing this risk down, and the actions around it.

	<p>It was agreed that further information on this will be brought to a future Audit &amp; Governance sub-committee.</p> <p><b>Resolved</b> – (1) That Members note the contents of the report and the ongoing improvements in risk management.</p>
<b>16.</b>	<b>TREASURY OUTTURN REPORT</b>
	<p>Neil Warren (S151 Officer) talked through the Treasury Management Progress report.</p> <p>Shaun Mullins asked if there is a members view around YPO's going concern? Simon explained the assurance would come through the management agreement for this.</p> <p>A discussion was held around interest rates. Neil explained this will be covered off in the report that is submitted to the November meeting.</p> <p>Simon shared that we have been in dialogue with FDs from the 13 member authorities around a revised dividend policy. A proposal on this is coming to the Management Committee on 21<sup>st</sup> July.</p> <p><b>Resolved</b> – (1) That Members note the positive assurances provided through this report in respect of treasury management for the period 1st January 2022 to 31st December 2022 in accordance with the agreed strategy.</p> <p>(2) Consider any potential amendments Members may wish to include in the Investment Strategy for 2024 (appendix 2).</p>
<b>17.</b>	<b>ENERGY UPDATE REPORT</b>
	<p>The Managing Director (Simon Hill) talked through the report which provides Members with an update on Energy.</p> <p>Simon shared the key headlines of the report, and the energy activities that have been taking place. Simon provided updates on the on-going issues and the new established working practices which are specifically designed to control the identified risks going forward.</p> <p>An independent report has been commissioned which will be shared with Members when it is available.</p> <p>Councillors asked a number of questions and were satisfied with the responses provided by Officers.</p> <p><b>Resolved</b> – (1) That Members note the content of the report.</p>
<b>18.</b>	<b>DATE AND TIME OF NEXT MEETING</b>
	<p><b>Resolved</b> – (1) That the next meeting of the YPO Audit &amp; Governance Sub Committee is proposed to be held on 3<sup>rd</sup> November 2023, 10.30am.</p>