

YORKSHIRE PURCHASING ORGANISATION AUDIT & GOVERNANCE SUB-COMMITTEE

Friday, 3 November 2023

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 & Governance Sub-Committee held on 7 July 2023. (Pages 1 - 6)
6. External Audit Completion Report. (Pages 7 - 40)
7. Internal Audit Progress Update - Verbal.
8. Draft Internal Audit Plan 2024. (Pages 41 - 51)
9. Exclusion of the Public and Press

In relation to reports below containing exempt information to consider, and if approved, pass the following resolution:

“That the public and press be excluded from the meeting for consideration of agenda items 10 – 14 on the grounds that it is likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended”.

IN PRIVATE

10. Risk Register, Bribery & Fraud Update. (Pages 53 - 68)
11. Risk Management System Update. (Pages 69 - 83)
12. Cyber Security Report. (Pages 85 - 91)
13. Yearend Closedown Timetable. (Pages 93 - 95)
14. Treasury Management Progress Report. (Pages 97 - 110)

YORKSHIRE PURCHASING ORGANISATION

AUDIT & GOVERNANCE SUB-COMMITTEE

FRIDAY, 7TH JULY 2023

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

1.	CHAIR'S INTRODUCTION & WELCOME
	<p>Introductions took place.</p> <p>The committee noted thanks to Neil Warren for his time as S151 Officer.</p>
2.	ACCEPTANCE OF APOLOGIES FOR ABSENCE
	<p>Apologies for absence were received on behalf of Councillor Walsh (Knowsley).</p>
3.	MEMBERS DECLARATION OF INTEREST
	<p>No declarations of interest were made.</p>
4.	URGENT ITEMS
	<p>No urgent items were raised.</p>
5.	PREVIOUS AUDIT & GOVERNANCE SUB COMMITTEE MINUTES
	<p>The minutes of the YPO Audit & Governance Sub-Committee held on 4th November 2022 were approved by all.</p>
6.	AUDIT & GOVERNANCE SUB COMMITTEE TERMS OF REFERENCE & WORK PROGRAMME 2023-2024
	<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 & Risk (Wakefield Council), raised that it would be useful to bring an indicative internal audit plan for the following year to the November Audit & Governance sub committee's going forward.</p>

	<p>Resolved – (1) That the report be noted and submitted to the Management Committee on 21st 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 & Governance sub-committee meeting.</p>
<p>7.</p>	<p>LOCAL CODE OF GOVERNANCE & ANNUAL GOVERNANCE STATEMENT 2022</p> <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 & 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>Resolved - (1) The Audit & Governance Sub-Committee agree the updated Local Code of Governance and the draft Annual Governance Statement 2022, subject to the one amend.</p>
<p>8.</p>	<p>POLICIES & PROCEDURES REVIEW</p> <p>Consideration was given to a report of the Head of Finance entitled Policies & Procedures Review.</p> <p>Resolved - (1) That Members note the contents of the table at appendix 1.</p>
<p>9.</p>	<p>INTERNAL AUDIT PLAN 2023</p> <p>Consideration was given to the report of the Service Manager for Internal Audit & 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>Resolved – (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>
--	--

10.	INTERNAL AUDIT ACTION UPDATE
------------	-------------------------------------

	<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>Resolved – (1) That the Audit & Governance Sub-Committee note the progress on completing Internal Audit actions.</p>
--	--

11.	EXTERNAL AUDIT COMPLETION REPORT
------------	---

	<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>Resolved – (1) That the report be noted.</p>
--	--

12.	AUDITED STATEMENT OF ACCOUNTS
	<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>Resolved – (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 21st July 2023.</p> <p>(3) That the proposed changes in reporting formats from 2023 are noted and approved.</p>
13.	EXCLUSION OF THE PUBLIC AND PRESS
	<p>Resolved – 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>
14.	ANNUAL ASSURANCE OPINION 2022
	<p>Consideration was given to the report of the Service Manager for Internal Audit & 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 & 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 21st 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 & Governance sub-committee.</p> <p>Resolved – (1) That Members note the contents of the report and the ongoing improvements in risk management.</p>
16.	TREASURY OUTTURN REPORT
	<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 21st July.</p> <p>Resolved – (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>
17.	ENERGY UPDATE REPORT
	<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>Resolved – (1) That Members note the content of the report.</p>
18.	DATE AND TIME OF NEXT MEETING
	<p>Resolved – (1) That the next meeting of the YPO Audit & Governance Sub Committee is proposed to be held on 3rd November 2023, 10.30am.</p>

Audit Completion Report

Yorkshire Purchasing Organisation
Year ended 31 December 2022

October 2023

Strictly private and confidential



Contents

- 01** Executive summary
- 02** Status of the audit
- 03** Significant findings
- 04** Internal control recommendations
- 05** Summary of misstatements

- A** Appendix A: Draft management representation letter
- Appendix B: Draft audit report
- Appendix C: Independence

This document is to be regarded as confidential to Yorkshire Purchasing Organisation. It has been prepared for the sole use of the Audit & Scrutiny Sub-Committee as the appropriate sub-committee charged with governance by the Management 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.

Audit & Scrutiny Sub-Committee
YPO
41 Industrial Park
Wakefield
WF2 OXE

October 2023

Audit Completion Report – Year ended 31 December 2022

Dear Committee Members,

We are pleased to present our Audit Completion Report for the year ended 31 December 2022. The purpose of this document is to summarise our audit findings and conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit. We have reviewed our Audit Strategy memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail, then please do not hesitate to contact me on 07810 528 8782.

Yours faithfully


Shaun Mullins (Oct 4, 2023 23:03 GMT+1)

Shaun Mullins
Mazars LLP

01

Section 01:

Executive summary

Executive summary

Principal conclusions and significant findings

We have been engaged to audit the financial statements of Yorkshire Purchasing Organisation for the year ended 31 December 2022 which are prepared in accordance with International Standards on Auditing (UK).

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK), the relevant ethical and professional standards and the terms of our engagement, and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In the section titled 'Significant findings' in this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement. The matters that were of most significance in our audit of the financial statements were:

- Valuation of land & buildings
- Valuation of defined benefit pension asset
- Related Party Transactions
- Local Government Pension Scheme assumptions

Misstatement and internal control recommendations

The section titled 'Internal control recommendations' sets out internal control recommendations and the section titled 'Summary of misstatements' sets out audit misstatements.

Status and audit opinion

We have completed our audit in respect of the financial statements for the year ended 31 December 2022.

At the time of issuing this report we anticipate issuing an unqualified opinion, without modification, as set out in Appendix B.

02

Section 02:

Status of the audit

Status of the audit

Status



Likely to result in material adjustment or significant change to disclosures within the financial statements.



Potential to result in material adjustment or significant change to disclosures within the financial statements.



Not considered likely to result in material adjustment or change to disclosures within the financial statements.

Our work is complete and no outstanding matters are present to discuss.

03

Section 03:

Significant findings

Significant findings

Significant findings, including key areas of management judgement

The significant findings from our audit include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 5 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant findings

Management override of controls

Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements

Audit conclusion

We have not identified any material misstatements from the performance of the above procedures.

Significant findings

Revenue Recognition

Description of the risk

The risk of fraud in revenue recognition is presumed to be a significant risk on all audits due to the potential to inappropriately shift the timing and basis of revenue recognition as well as the potential to record fictitious revenues or fail to record actual revenues.

For Yorkshire Purchasing Organisation we deem the risk to relate specifically to the recognition of income around the year end, being the cut-off assertion.

How we addressed this risk

We addressed this risk by performing detailed testing across the turnover income focusing on the recognition of income in the correct period. Our procedures were conducted so as to understand the policies for income recognition and to consider the risk of revenue being accounted for in the wrong accounting period.

Audit conclusion

We have not identified any material misstatements relating to the recognition of revenue.

Significant findings

Valuation of land & buildings

Description of the risk

The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the fair value at that date. YPO carry out a full onsite valuation of their land and buildings every 5 years and a desktop review each year in between. There is a risk that the desktop valuation does not incorporate sufficient detail with regards to the assumptions and the possibility of impairment to provide materially correct valuations.

The valuation of land & buildings involves the use of a management expert (the valuer), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process.

How we addressed this risk

We evaluated the design and implementation of controls YPO has in place which mitigate the risk.

In addition our procedures included:

- Critically assessing the valuer's scope of work, qualifications, objectivity and independence to carry out the Organisation's programme of revaluations;
- Considering whether the overall revaluation methodology used by the valuer is in line with industry practice, the CIPFA Code of Practice and YPO's accounting policies;
- Critically assessing the appropriateness of the underlying data and the key assumptions used in the valuer's calculations, using available third party evidence;
- Assessing the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time;
- Critically assessing the treatment of the upward and downward revaluations in YPO's financial statements with regards to the requirements of the CIPFA Code of Practice.

Audit conclusion

We have not identified material misstatement with the recognition of the valuation of land and buildings under the CIPFA code.

Significant findings

Valuation of defined benefit pension scheme assets

Description of the risk

There is a significant asset value used in calculating the Local Government Pension Fund (LGPS) and due to the nature of the pension scheme there is significant difficulty in identifying YPO's share of the assets.

We plan to address this judgement by obtaining confirmation from the pension fund of the total value submitted to the actuary and details of how YPO's share of assets has been calculated.

We will then review this confirmation and consider if the information provided is sufficient and challenge any inconsistencies noted.

How we addressed this risk

We addressed this risk by obtaining confirmation from the pension fund of the total value submitted to the actuary and details of how the Organisation's share of assets has been calculated. We have reviewed this confirmation and considered if the information provided is sufficient and challenged any inconsistencies noted.

Audit conclusion

We have not identified any material misstatements from the performance of the above procedures.

Significant findings

Enhanced risk

Related party transactions

Description of the risk

The Organisation is required to comply with the requirements of the CIPFA Code and IAS24 to disclose its transactions with related parties.
The Organisation makes judgements about who related parties are, and whether transactions are material in line with the CIPFA Code.

How we addressed this risk

We considered the Organisation’s approach to identifying its related parties, and the transactions it had with those related parties through the year.
We also considered whether the disclosures were complete and accurate taking into account the process and the output from the Organisation’s work.

Audit conclusion

There are no areas of material misstatement identified for this area in the work completed.

Local Government Pension Scheme Liability

Description of the risk

There are significant assumptions used in calculating the value of the Local Government Pension Fund (LGPS) of which the Organisations proportion is disclosed in the financial statements.

How we addressed this risk

Reviewed the methodology to ensure the approach adopted provides a sound base for accounting in this area. We have also reviewed the assumptions underlying the methodology and the appropriateness of the disclosure. We have obtained a copy of the actuarial valuation report prepared for the LGPS and have had the pension assumptions reviewed by our specialist Actuarial Valuations team.

Audit conclusion

We have not identified any material misstatements from the performance of the above procedures.

Significant findings

Qualitative aspects of the YPO's accounting practices

The Organisation voluntarily produces non-statutory financial statements which are prepared on a going concern basis as required by the CIPFA Code of Practice on Local Authority Accounting (the Code). We considered the appropriateness of the use of the going concern assumption and have reviewed the Organisation's accounting policies and disclosures. We particularly considered the impact on the Organisation of the Covid-19 pandemic, and the Organisation's own assessment of the impact on its 'going concern' assumption. As highlighted in section 1, our work on going concern is still to be concluded.

Draft financial statements were received from YPO on 23 March 2023. The quality of the initial draft financial statements was good, and our initial review comments did not identify any material omissions or corrections that were required. YPO have prepared and shared supporting working papers and evidence through the audit promptly allowing the audit to progress to completion in a smoother fashion than previous years, and in line with our agreed timetable.

We have discussed with YPO whether they reassess and update their Income and Expenditure Statements. The current format is a departure from CIPFA requirements and discloses more information than their competitors.

Significant matters discussed with management

During the audit we maintained a regular dialogue with management to allow assessments to be performed in areas of judgement

Significant difficulties during the audit

During the course of the audit, we did not encounter any significant difficulties and we have had the full co-operation of management.

04

Section 04:
Internal control recommendations

Internal control recommendations

Overview of engagement

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to Committee Members any significant deficiencies identified during the course of our work.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out on the following pages. We have assigned priority rankings to each of them to reflect the risk associated with the finding with regard to the achievement of the control objectives and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	1
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

Internal control recommendations

Significant deficiencies in internal control – Priority 1

Description of deficiency

The profits relating to 2021 are included in the current year trial balance. This is a result of the financial ledger for the year 2021 remaining open.

Potential effects

There is an increased risk of erroneous postings being made into the prior period.

Recommendation

Management should look to close down financial ledgers at the earliest possible date to prevent risk of erroneous postings.

Management response

Management accept the area of deficiency and will work to close of the ledger earlier in the future. Compensating controls are in place via lockdowns of posting periods to reduce the risk of erroneous journal postings.

Other deficiencies in internal control – Priority 2

Description of deficiency

During review of the financial statements we did identify over disclosure, particularly in respect of the Comprehensive Income and Expenditure Statement.

Potential effects

Over disclosure allows competitors to have a greater understanding of the performance of YPO.

Recommendation

Review the format of the Comprehensive Income and Expenditure Statement, reducing categories for both income and expenditure.

Management response

Management will review the presentation of the Financial statements in the Statement of Accounts to bring them more in line with the commercial nature of the organisation and to assist the readers of the accounts when reviewing performance.

Internal control recommendations – Follow up of prior year recommendations

Follow up on previous control points – Priority 1

We set out below an update on internal control points raised in the prior year.

Description of deficiency

Deficiencies were identified regarding database administration, as there are 17 accounts with privileged access to administer user access that are part of the marketing or finance departments. Audit logs are maintained but are not reviewed.

Activity logs are maintained and the 17 users identified to have excessive permissions do not have database level access. A user access rights review is being undertaken to remove user permissions where they are not required for the role and responsibilities of the users.

Current Year Update: The same issues have not been identified in the current year.

Potential effects

Not required.

Recommendation

Not required.

Management response

Not required.

Description of deficiency

Our testing of the trade creditors balance identified that the trade creditors contains a magnitude of offsetting debit entries. Consequently our testing was more extensive than should ideally be necessary, testing both the credit and the debit entries.

As well as causing additional testing in the audit this issue causes inefficiencies for the Organisation that leads to additional time and complexity required to process routine transactions.

Current Year Update: This remains a relevant recommendation.

Potential effects

There is significant additional audit work required as a consequence, and the Organisation is not able to operate its financial systems as efficiently as it should be. The current method of working could also result in inaccurate payments to suppliers if the manual intervention does not identify over-payments made.

Recommendation

Implement system improvements to enable the operation of an efficient accounts payable system avoiding the creation of significant debit and credit entries in the trade creditors balance. Additional assistance from NAV should be sought to ensure this issue does not continue and invoices can be correctly posted to the payables ledger and correctly matched against a payment, once made.

Management response

Monitoring is in place to ensure that all invoices are processed in a timely manner and passed into NAV from the matching system. Tracking of the debit balances is also underway with the aim to remove all debit balances by the end of 2022. A monthly process will be introduced to report all debit balances moving forward so we can see the progress made.

Internal control recommendations – Follow up of prior year recommendations

Follow up on previous internal control points – Priority 2

Description of deficiency

It has been noted during fixed asset testing an asset had been disposed of in 2022 without the knowledge of management and the finance team. The asset had a cost brought forward of £8,297 and a net book value of Nil.

Current Year Update: The same issues have not been identified in the current year through our testing of the fixed asset register.

Potential effects

Not required.

Recommendation

Not required.

Management response

Not required.

Follow up on previous control points – Priority 3

Description of deficiency

We identified a lack of formal recording processes present in identifying transactions between YPO and their related parties. The same issues have been noted again this year, for example: in our testing of other income

Current year update: The deficiency remains relevant.

Potential effects

This can lead to incorrect disclosures of related party transactions within the financial statements.

Recommendation

The Organisation should establish a formal process as part of the production of the accounts, to identify all transactions with their related parties.

Management response

Management accept the area of deficiency.

05

Section 05:

Summary of misstatements

Summary of misstatements

We set out on the following pages the misstatements identified during the course of the audit, above the level of trivial.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

There were no changes to initial materiality levels communicated in our Audit Strategy Memorandum, which were:

- Overall Materiality £1,801k
- Clearly Trivial Threshold £72k

Summary of misstatements

Based on procedures performed to date, there has been no misstatements in which management have adjusted. The unadjusted miss tatements identified throughout the audit process have been documented below.

Unadjusted misstatements 2022

	Assets Dr / (Cr) £ '000	Liabilities Dr / (Cr) £ '000	Equity Dr / (Cr) £ '000	P&L / OCI Dr / (Cr) £ '000
1 Dr Statement of Profit or Loss Cr Other Debtors (Stock Catalogue contributions)	(725)			725
Being the actual post year end invoices which were raised in relation to stock catalogue income accrued.				
2 Dr Cash Cr Statement of Profit or Loss	35			(35)
Being the build up on the cash nominal ledger for exchange differences. This is below our trivial threshold however there is a heightened fraud risk in respect of bank balances.				
3 Dr Trade Debtors Cr Trade Creditors	564	(564)		
Being the reclassification of the credit balances on the trade debtors ledger.				
	(126)	(564)	0	690

Summary of misstatements

Disclosure amendments

During the course of our audit, we have not identified any disclosure amendments. We have discussed with YPO whether they reassess and update the format and current disclosure of the Income and Expenditure Statements. The current format is a departure from CIPFA requirements and discloses more information than their competitors.

A

Appendices

- A: Draft management representation letter
- B: Draft audit report
- C: Independence

Appendix A: Draft management representation letter

5th Floor
3 Wellington Place
Leeds
LS1 4AP

October 2023

Dear Sir,

Yorkshire Purchasing Organisation (YPO) - Non-statutory audit for the year ended 31 December 2022

This representation letter is provided in connection with your audit of the financial statements of Yorkshire Purchasing Organisation (YPO) for the year ended 31 December 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and applicable law.

We confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you.

Our responsibility for the financial statements and accounting information

We believe that we have fulfilled our responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

Our responsibility to provide and disclose relevant information

We have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the company you determined it was necessary to contact in order to obtain audit evidence.

We confirm as directors that we have taken all the necessary steps to make us aware, as directors, of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as we are aware there is no relevant audit information of which you, as auditors, are unaware.

Appendix A: Draft management representation letter

Accounting records

We confirm that all transactions undertaken by the company have been properly recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all management and shareholders' meetings, have been made available to you.

Accounting policies

We confirm that we have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on YPO's financial position, financial performance and cash flows.

Accounting estimates

We confirm that the methods, significant assumptions and the data used in making the accounting estimates are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

In particular we confirm the:

- the appropriateness of the measurement process, including related assumptions and models, used by management in determining accounting estimates under the Code, and the consistency of application of the process;
- that the assumptions appropriately reflect YPO's intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures;
- that the disclosures related to accounting estimates are complete and appropriate under the Code;
- that no subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

Appendix A: Draft management representation letter

All material matters, including unasserted claims, that may result in litigation against the company have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

We confirm that we have disclosed to you all those events of which we are aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

We have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

We acknowledge our responsibility as directors of the company, for the design, implementation and maintenance of internal control to prevent and detect fraud and error and we believe we have appropriately fulfilled those responsibilities.

We have disclosed to you:

- all the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the entity involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

We have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

We confirm that all related party relationships, transactions and balances, (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

We have disclosed to you the identity of YPO's related parties and all related party relationships and transactions of which we are aware.

Appendix A: Draft management representation letter

Impairment review

To the best of our knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the Property, Plant and Equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

We have no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

We confirm all events subsequent to the date of the financial statements and for which the Code and Applicable Law require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.

Banking Crisis

We confirm that we have assessed the impact on Yorkshire Purchasing Organisation of the on-going Global Banking challenges, in particular whether there is any impact on the company's ability to continue as a going concern, and on the post balance sheet events disclosures.

We confirm that our exposure (either direct cash exposure or direct / indirect through investments) with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation, is not material.

Impacts of Russian Forces entering Ukraine

We confirm that we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Directors Report to the financial statements fairly reflects that assessment.

Going concern

To the best of our knowledge there is nothing to indicate that YPO will not continue as a going concern in the foreseeable future. The period to which we have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Yours faithfully

Director

Appendix B: Draft audit report

Independent auditor's report to the members of Yorkshire Purchasing Organisation

Opinion

We have audited the financial statements of Yorkshire Purchasing Organisation (the 'Organisation') for the year ended 31 December 2022 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, and the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. The non-statutory accounts have been prepared for the reasons set out in Note 1 to the financial statements.

In our opinion, the financial statements:

- give a true and fair view of the state of the Organisation's affairs as at 31st December 2022 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law and the terms of our engagement letter dated 1st June 2023. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Organisation in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Organisation's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Appendix B: Draft audit report

Other information

The other information comprises the Narrative Statement. The Chief Finance Officer is responsible for the other information contained in the Narrative Statement. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis, unless the Organisation is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Organisation to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Organisation and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the Local Authorities (Goods & Services) Act 1970 and we considered the extent to which non-compliance might have a material effect on the financial statements.

Appendix B: Draft audit report

We evaluated the Chief Finance Officer's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management as to whether the Organisation is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Organisation which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report

Use of the audit report

This report is made solely to the members of Yorkshire Purchasing Organisation, as a body, in accordance with the terms of our engagement letter in connection with the Organisation's decision to prepare non-statutory accounts. Our audit work has been undertaken so that we might state to the members of the Organisation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Organisation, as a body, for our audit work, for this report, or for the opinions we have formed.

Shaun Mullins (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
5th Floor, 3 Wellington Place, Leeds, LS1 4AP

Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Mazars

5th Floor

3 Wellington Place

Leeds

LS1 4AP

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*w here permitted under applicable country law s.

www.mazars.co.uk

Follow us:

LinkedIn:

www.linkedin.com/company/Mazars

Twitter:

www.twitter.com/MazarsGroup

Facebook:

www.facebook.com/MazarsGroup

Instagram:

www.instagram.com/MazarsGroup

WeChat:

ID: Mazars



YPO

AUDIT & GOVERNANCE SUB-COMMITTEE

3RD NOVEMBER 2023

TITLE: DRAFT ANNUAL INTERNAL AUDIT PLAN 2024

REPORT OF: SERVICE MANAGER FOR INTERNAL AUDIT & RISK (WAKEFIELD COUNCIL)

1. PURPOSE OF REPORT

- 1.1. The Public Sector Internal Audit Standards (PSIAS) require the Chief Audit Executive (Service Manager for Internal Audit and Risk, for Wakefield Council) to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. This must take account of the requirement to produce an annual internal audit opinion and the assurance framework.
- 1.2. The report details the proposed Internal Audit Plan for 2024. This has been based upon input from the following stakeholders:
 - Matthew Hirst, Head of Finance.
 - Andrea Hirst-Gee, Assistant Financial Controller.
 - Gillian Marshall, Chief Legal Officer (Wakefield Council).
 - Caroline Carter, Chief Finance Officer (Interim, Wakefield Council).
- 1.3. The purpose of the report is to share the draft internal audit plan with the Audit and Governance Sub-Committee to ensure that effective engagement has taken place throughout the planning process. Comments are therefore sought on the proposed Plan for 2024.

2. BACKGROUND INFORMATION

- 2.1 In determining the 2024 Internal Audit Plan, and conforming to the PSIAS requirements, the Service Manager for Internal Audit and Risk considers the following:
 - The objectives and priorities of the organisation, as set out in the YPO Invest and Value Strategy 2022-26.
 - The latest YPO Risk Register.
 - Previous internal audit work and findings.
 - Input from this Committee and other key stakeholders.
 - Any other independent assurances that can be relied upon.

2.2 Since 2019, Internal Audit has used a rolling 3 Year Audit Plan to identify audit work to conduct each year (see Table Three and Appendix A for more detail). This is updated on an annual basis and aligned to the organisations Risk Register and current priorities / objectives.

2.3 The rest of this report details the process that has been followed to determine the priorities for the 2024 Internal Audit Plan.

Objectives and priorities of YPO

2.4 This is the second year of the organisation’s five-year strategy, with a mission to ‘be the UK’s number one public sector buying organisation’. The top three priorities are to: grow in the public sector by 300%; digital transformation; and strategic initiatives (£5m). This is to be achieved through the following themed areas:

- Brilliant Basics.
- Digitalisation.
- Partnerships.
- Growth.
- Assets.

2.5 The proposed audits for 2024 have been linked to these objectives and themes to ensure that the audit plan reflects the current strategic direction of YPO.

Strategic Risks

2.6 As recognised in the introductory paragraph, professional standards (the PSIAS) require a risk-based internal audit plan to be set. A key document for consideration was therefore the Strategic Risk Register (SRR). YPO uses a 4 x 4 risk matrix, assessed on probability and impact, which provides an overall risk score of between 1 (very low / minor) and 16 (very high / severe).

2.7 The SRR issued to the senior management team for review in July 2023 was the most up to date risk record. Table One identifies each of the strategic risks which had a current risk score of at least eight (high / significant). It then identifies what assurance coverage there is for the 2024 calendar year.

Table One: Assurance Coverage for the Very High and High Strategic Risks

Risk Description (Reference)	Risk Rating	Assurance Coverage?	How
Adequacy of the IT infrastructure (SRR05).	Very High (12)	Partial	Some links through the ongoing advisory work on the warehouse management system.
Robustness of business continuity arrangements in the event of a major incident (SRR09).	Very High (12)	Yes	Coverage through the proposed cyber security review.
Ability to fulfil customer orders (SRR10).	High (9)	Partial	Some links through the ongoing advisory work on the warehouse management system.
Quality of customer service (SRR11).	High (9)	Partial	Some links through the ongoing advisory work on the warehouse management system.
Reputational damage (SRR12).	High (9)	Yes	This has links to all internal audit coverage.
Underachievement of sales forecasts (SRR13).	High (9)	Partial	Links to the proposed ‘Budgetary Control’ review (2024) and current financial resilience review (2023).
Ability to respond to market changes (SRR16).	High (9)	Yes	Links to the proposed digitisation review.
Cyber security threats (SRR18).	Very High (16)	Yes	Links to the proposed audit on cyber security.

- 2.8 The following additional observations are made:
- YPO undertook a review of its governance arrangements in 2022, the outcome of which was reported to the Management Committee in July 2022. Having effective governance arrangements in place, along with a strong culture, is an important aspect of managing the reputation of YPO.
 - The annual report from the Independent Director provides helpful observations on performance over the preceding year and potential future challenges. This provides coverage for SRR12 (reputational damage) and SRR16 (market changes).
 - The Managing Director provides business updates to the Management Committee which also provided coverage of SRR12 (reputational damage) and SRR16 (market changes).

Input from key stakeholders

- 2.9 As detailed in paragraph 1.2, Internal Audit has met with several key stakeholders to identify potential areas of coverage for Internal Audit in 2024. This report also provides an opportunity for elected members to comment and shape the internal audit coverage for the 2024 calendar year.
- 2.10 At the time of reporting the Chartered Institute of Internal Auditors had published its ‘Risk in Focus 2024’ Report, which is also a useful tool to understand what other organisations consider as their main risks. Table Two provides a summary of the top ten risks as we head into 2024.

Table Two: Top Ten Strategic Risks

Ref	Risk Description	Comments
1.	Cyber and data security.	Proposed coverage for 2024.
2.	Human capital, diversity, talent management, and retention.	This has been subject to some Internal Audit coverage in 2023 and a separate audit is part of the 2024 Plan.
3.	Changes in laws and regulations.	The focus of Internal Audit coverage has been on health and safety arrangements.
4.	Macroeconomic and geopolitical uncertainty.	This has ultimate links to financial sustainability (part of a review in 2023) and being able to adapt to changes in market conditions.
5.	Business continuity and resilience.	Linked to the proposed cyber security audit review.
6.	Digital disruption, new technology, and artificial intelligence.	Some links to the proposed cyber security review. There is a potential gap around the digitisation agenda.
7.	Climate change, biodiversity, and environmental sustainability.	This is a potential gap in assurance coverage.
8.	Supply chain, outsourcing, and ‘nth’ party risks.	Some links to current financial resilience review (2023), and planned audit on budgetary control.
9.	Market changes, competition, and changing consumer behaviour.	This is an area where the non-independent director provides some coverage.
10.	Financial, liquidity, and insolvency risks.	This links to the proposed audit coverage on financial resilience.

Potential Gaps in Assurance Coverage

- 2.11 Committee should note that there are the following potential gaps in assurance coverage from the proposed Plan:
- The digitisation agenda – this is a specialist area and may benefit from a more discreet piece of work by a suitably competent professional.

- ESG (Environmental, Social, and Governance) – this is becoming an increasingly more topical area for organisations. Committee may wish to seek assurances from senior management or the non-independent director on the effectiveness of such arrangements at YPO.

Draft Internal Audit Plan for 2024

2.12 The proposed Internal Audit Plan for 2024 is set out in Appendix A and a high-level summary is provided in Table Three.

Table Three: Draft Internal Audit Plan 2024

Audit	Comments	Audit Days
Key Financial Systems (40 days)		
Budgetary Planning and Control	Reasonableness of budgets which links to Financial Resilience work being completed in 2023.	15
Main Accounting System.	Part of the three-year cyclical approach to key financial systems.	15
Stock Control (Write-Off Process)	Suggested piece of assurance work by Wakefield Council's Section 151 Officer.	10
Risk-Based and Governance (50 Days)		
Adherence to legislation – Health and Safety	This is an area of coverage each calendar year, the exact scope will be agreed	15
Cyber Security	This is the highest rated strategic risk.	15
Review of the Effectiveness of Committee and Officer Group Meetings	Suggested as an area for review by the Section 151 Officer (Wakefield), it has not been subject to internal audit coverage before.	10
Workforce Development Resourcing	This will build upon the initial work planned for 2023.	10
Consultancy (5 Days)		
Counter-Fraud	Up to five days free advice, acting as a critical friend on the adequacy of counter-fraud arrangements.	N/A
Risk Management	Up to five days free advice, acting as a critical friend on the adequacy of risk management arrangements. This could extend to the work being undertaken to implement a new risk management system.	N/A
Warehouse Management System	To be a critical friend on the Warehouse Management System Project. This will focus on the strength of governance arrangements for the process and risk management arrangements / reporting.	5
Recommendation Tracking and Sample Checks (20 Days)		
Follow-up of high and medium priority recommendations	This is a recommendation from the external quality assessment by the Chartered Institute of Internal Auditors in 2022. The focus will be on the following areas: <ul style="list-style-type: none"> • Asset Management. • Creditors. • GDPR. • Health and Safety (Near Misses). 	20
Contingency and Reporting (10 Days)		
Contingency	This will include time for any additional work from the agreed audits and provision of ad hoc advice during 2023. The Monitoring Officer (Wakefield) has suggested a review of the recharge process between YPO and the limited company arm.	5
Liaison and reporting	Time for the preparation of the 2023 Internal Audit Plan, the annual assurance opinion, any meetings with senior management, the Audit and Governance Sub-Committee, and Management Committee.	5
Total Internal Audit Days		125

Internal Audit Opinion Levels

2.13 Tables Four and Five set out the assurance opinion levels which are used when issuing the draft and final audit reports.

Table Four: Internal Audit Opinion Level for the Control Environment

Opinion	Definition
Substantial	There are minimal control weaknesses, and they present a very low risk to the control environment. This maximises the likelihood of achieving the key business objectives and priorities.
Good	There are minor control weaknesses that present a low risk to the control environment. Some opportunities have been identified that would further support the achievement of key business objectives and priorities.
Moderate	There are some control weaknesses that present a medium risk to the control environment. Improvement is required to ensure that key business objectives and priorities are achieved.
Limited	There are significant control weaknesses that present a high risk to the control environment. There is a significant risk that the area being reviewed is not effectively or efficiently supporting the achievement of key business objectives and priorities.
None	There are fundamental control weaknesses that present unacceptable levels of risk to the Organisation.

Table Five: Internal Audit Opinion Level for Compliance with Existing Controls

Opinion	Definition
Substantial	The control environment has substantially operated as intended.
Good	The control environment has largely operated as intended although some minor errors have been identified.
Moderate	The control environment has mainly operated as intended although errors have been identified.
Limited	The control environment has not operated as intended with significant errors identified.
None	The control environment has fundamentally broken down and is open to significant error or abuse.

3. STRATEGIC IMPLICATIONS

3.1 Section 2 of this report details how the audit plan has been developed, linking with the Invest and Value Strategy 2022-26 and the strategic risk register maintained by YPO.

4. FINANCIAL IMPLICATIONS

4.1 The annual cost for the provision of Internal Audit for YPO in 2023 was £47,637, this will be subject to any uplift in the new Service Level Agreement.

4.2 The audit plan also considers the need to provide the Chief Finance Officer for Wakefield Council with independent assurance of the effectiveness and efficiency of controls for the main financial systems.

5. LEGAL IMPLICATIONS

5.1 YPO is a Joint Committee formed under the Local Authority (Goods and Services) Act 1970. As the largest formally constituted local authority purchasing consortium in the UK, YPO is governed by a management committee of elected representatives (councillors) from its owning member authorities.

- 5.2 The Statutory Finance 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. It is the role of the Lead Authority's Internal Audit Team to provide an independent and objective opinion on the control environment within YPO. The audit plan and subsequent findings are reported to the Directors of YPO, the Management Committee and the Audit and Governance Sub-Committee.
- 5.3 The Audit and Governance Sub-Committee has delegated authority to provide this Committee with a 'reasonable assurance of the efficiency and effective operation of the overall internal control environment within YPO'. One of the sources of this assurance is through the work of Internal Audit detailed in this audit plan.

6. EQUALITY IMPLICATIONS

- 6.1 There are no equality implications.

7. RISK IMPLICATIONS

- 7.1 In line with the Public Sector Internal Audit Standards there is a requirement to set a risk-based audit plan. As detailed in Section 2 of this report one of the sources of information is YPO's risk register (for strategic and operational risks). In addition, input has been sought from senior management to help identify new and emerging areas of risk.

8. RECOMMENDATION

- 8.1 The Audit and Governance Sub-Committee is asked to:
- Review and provide comments on the proposed Internal Audit Plan for 2024, as set out in Table Three (Appendix A provides further detail).
 - Note the potential gaps in assurance regarding digitisation and the ESG (Environmental, Social, and Governance). The Committee may wish to consider how alternative forms of assurance could be provided.

Contact Officer:

Jason Brook, Service Manager for Internal Audit & Risk (Wakefield Council)

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

Draft Internal Audit Plan 2024

Table Six: Proposed Audits for 2024 Calendar Year

Audit Area	Type of Audit	Brief Summary / High-Level Scope	Audit Days	Links to YPO Priorities	Links to YPO Risks
Assurance Work for Wakefield Council's Section 151 Officer (40 Days)					
Budgetary Planning and Control	Key Financial Systems	Reasonableness of budgets which links to Financial Resilience work being completed in 2023.	15	Assets Growth	SRR-07 SRR-08 SRR-13
Main Accounting System	Key Financial System	To gain assurance that the Main Accounting System is operating effectively, with a focus on credit notes/refund processes.	15	Assets Growth	SRR-07 SRR-08
Stock Control (Write-Off Process)	Key Financial Systems	To seek assurance on the effectiveness of processes for minimising stock write-off.	10	Assets Growth	SRR-07 SRR-08
Consultancy Work (5 Chargeable Days)					
Counter-Fraud and Corruption Arrangements	Consultancy	To act in a 'critical friend' role for the YPO in the review of counter-fraud policies and procedures. Officers have suggested that they would appreciate support in refreshing the Anti-Fraud and Corruption Policy and the fraud risk assessment.	5 ¹	All	SRR-17
Risk Management	Consultancy	To act in a 'critical friend' role for the YPO in offering advice on risk management arrangements.	5 ¹	All	All
Warehouse Management System	Consultancy	To act in a 'critical friend' role for the YPO in ongoing warehouse management project.	5	All	SRR-10 SRR-11
Governance and Risk-Based Work (50 Days)					
Adherence to legislation – Health and Safety	Risk-Based	Precise scope to be agreed, past reviews have included: <ul style="list-style-type: none"> • Training (2021). • Near Misses (2022). • Fire Risk Management (2023). 	15	Assets Brilliant Basics	SRR-02 SRR-12
Cyber Security	Risk-Based	This is a significant area of risk, whilst YPO is seeking ISO27001 compliance. The purpose of the audit will be to seek assurances on the risk mitigations in place (including business continuity and disaster recovery processes).	15	All	SRR-05 SRR-09 SRR-18

¹ These days will not be included as part of the chargeable days for 2024.

Audit Area	Type of Audit	Brief Summary / High-Level Scope	Audit Days	Links to YPO Priorities	Links to YPO Risks
Review of the Effectiveness of Committee and Officer Group Meetings	Governance	The purpose of this review will be to ensure that risks and issues are being discussed and, where appropriate, escalated correctly. The CIPFA good practice on Audit Committee's will also be an important reference point.	10	All	All
Workforce Development Resourcing	Risk-Based	This will build upon the initial work planned for 2023. The review will consider how arrangements are being embedded and follow-up on progress against any recommendations.	10	All	SRR-04
Follow-Up Reviews (20 Days)					
Implementation of High and Medium Priority Audit Recommendations	Follow-Up	<p>As required – a review will be completed of any audits with an opinion of 'partially effective' or 'ineffective'. For 2024 the focus will be on the following areas:</p> <ul style="list-style-type: none"> • Asset Management. • Creditors. • General Data Protection Regulation. • Health and Safety (Near Misses). 	20	All	Dependent upon the nature of the recommendations.
Contingency Time (5 Days)					
Contingency Time	N/A	Time set aside for new and emerging risks. If there is sufficient time remaining in the 2024 Plan a review will be undertaken of the recharges to the Limited Company. The purpose of this would be to ensure that there is no cross subsidising.	5	Dependent upon the nature of the work.	Dependent upon the nature of the work.
Liaison, Consultancy and Advice (5 Days)					
Liaison, Consultancy and Advice	N/A	<p>Development of the 2024 Calendar Year Audit Plan and update of the rolling 3-Year Audit Plan.</p> <p>Drafting of the Annual Internal Audit Opinion Report for 2024.</p> <p>Drafting of regular update reports to Elected Members and senior management.</p> <p>Travel to, and attendance at, relevant YPO Committee's (e.g., YPO Management Committee and YPO Audit Sub-Committee).</p>	5	N/A	N/A

Audit Area	Type of Audit	Brief Summary / High-Level Scope	Audit Days	Links to YPO Priorities	Links to YPO Risks
		Liaison as and when required.			
Total (excluding 10 days non chargeable time)			125		

Table Seven: Rolling Audit Plan from 2022 to 2024

Audit Area	2022	2023	2024	Additional Comments
Section 151 Assurance Work				
Asset Management	✓			
Budgetary Control			✓	
Creditors (including ordering).	✓		✓	This audit was undertaken in 2022 and an opinion of limited assurance was provided, implementation of the high and medium priority recommendations will be followed up in 2024.
Debtors		✓		
Main Accounting System.			✓	
Payroll		✓		
Consultancy Work				
Counter-fraud and Corruption Arrangements	✓	✓	✓	5 days consultancy service, at no cost to YPO. In 2024 it is anticipated that a 'critical friend' role will be used with regards to counter-fraud policies and the fraud risk assessment process.
Risk Management.	✓	✓	✓	As above, 5 days consultancy service will be provided at no extra cost. The Assistant Financial Controller meets
LINK – implementation of new ICT system.				The new system was implemented during 2021/22.
Warehouse Management		✓		This will be new consultancy work to act as critical friend on the robustness of the programme management arrangements.
Governance and Risk Based Audit Work				
Adherence to Legislation – Health and Safety	✓	✓	✓	Time will be made available in each year for a review of health and safety and covered the following: <ul style="list-style-type: none"> • Covid-19 arrangements – substantial assurance (controls and compliance) in 2020. • Health and safety training – substantial assurance (controls) and moderate (compliance) in 2021. • Near misses reporting – moderate assurance (controls and compliance) in 2022.
Business Planning	✓			The last audit provided an opinion of moderate assurance for both the strength of the control environment and compliance.
Contractual Break Clauses	✓			The last audit was completed in two phases and moderate assurance was provided for the strength of the control environment and good assurance for compliance.
Customer Engagement				The last audit provided an opinion of good assurance for both the strength of the control environment and compliance.
Data Quality				The last audit (2020) provided an opinion of good assurance for both the strength of the control environment and compliance.

Audit Area	2022	2023	2024	Additional Comments
Effectiveness of Committee and Officer Group Meetings			✓	
Financial Resilience		✓		
ICT Arrangements				Last formal review in 2020, although some coverage through the 'critical friend' role for the warehouse management system project.
Rebate Income	✓			The last audit provided an opinion of moderate assurance for both the strength of the control environment and compliance.
Stock Control			✓	The last audit provided an opinion of substantial assurance for the strength of the control environment and good assurance for compliance.
Transport Logistics				The last formal review was in 2020, the audit provided an opinion of good assurance for both the strength of the control environment and compliance.
Workforce Development and Succession Planning		✓	✓	
Follow-up Reviews				
Follow-up work	✓	✓	✓	As required – a review will be completed of any audits with an opinion of 'partially effective' or 'ineffective'.
Liaison, Consultancy and Advice				
As appropriate	✓	✓	✓	Attendance at Committees, reporting, liaison, and advice.

This page is intentionally left blank

Exempt Information by virtue of paragraph(s) 3
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Exempt Information by virtue of paragraph(s) 3
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Exempt Information by virtue of paragraph(s) 3
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Exempt Information by virtue of paragraph(s) 3
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Exempt Information by virtue of paragraph(s) 3
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Exempt Information by virtue of paragraph(s) 3
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Exempt Information by virtue of paragraph(s) 3
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Exempt Information by virtue of paragraph(s) 3
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Exempt Information by virtue of paragraph(s) 3
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Exempt Information by virtue of paragraph(s) 3
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Exempt Information by virtue of paragraph(s) 3
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Exempt Information by virtue of paragraph(s) 3
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Exempt Information by virtue of paragraph(s) 3
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank