

Section 5 Part 1 Governance, Risk and Assurance

As a commercial organisation, set up as a Local Authority Joint Committee, under the Local Government Act Section 102, YPO has adopted local government regulation and best practice, as far as is reasonable and practicable, with regard to its governance framework and system of internal control; arrangements for risk and financial management; oversight of executive decision making including overview and scrutiny; and the provision of assurance including audit and audit committee.

Corporate Governance Framework

YPO is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. YPO acknowledges its responsibility for putting in place proper and effective governance arrangements.

YPO's governance framework comprises the systems and processes, culture and values by which we direct and control the organisation, engage with, and remain accountable to, our Founder Member Authorities and other key stakeholders. Key elements of the framework include:

- Promoting high standards of conduct in accordance with the seven principles of public life: selflessness; integrity; objectivity; accountability; openness; honesty; leadership.
- Adopting the principles set out in Delivering Good Governance in Local Government: Framework (CIPFA / SOLACE 2016) and compliance with Accounts & Audit Regulations (2015).
- A sound system of internal control including arrangements for risk management, financial management and sources of assurance including Internal and External Audit.
- Compliance with the requirements for Audit Committees in Local Authorities (CIPFA Position Statement updated 2022) through the Audit & Governance Sub-Committee.
- Arrangements for oversight of, and challenge to, executive decision making, including overview and scrutiny, and support from the Lead Authority.

Principles of Public Life (Nolan Principles)

YPO relies on its Founder Member Authorities to publish a Members' Code of Conduct; to ensure its elected members comply with the Code including maintaining a register of interests; and to maintain a Standards Committee or Sub-Committee and arrangements to investigate allegations of failure to comply with the code.

YPO has adopted a set of values, things we believe in, that are practical and directly inform the decisions we make and the action we take. Each value is supported by a set of commitments from the YPO Board and Senior Leadership Team, and a set of behaviours to demonstrate how our values are positively brought to life through our actions.

Delivering Good Governance

In accordance with Delivering Good Governance in Local Government: Framework (CIPFA / SOLACE 2016) YPO has approved and published a *Local Code of Governance* that sets out:

- Our commitment to the 2016 Framework's principles of good governance
- Our governance structure and the behaviours and actions that demonstrate good governance in practice

In compliance with Accounts & Audit Regulations (2015) YPO has arrangements in place to:

- Ensure it has a sound system of internal control
- Conduct a review of the effectiveness of the system of internal control each financial year, in accordance with proper practice (as set out in the 2016 Framework)
- Report the results of the review in an annual governance statement, for approval by members and publication

System of Internal Control

The system of internal control is a significant aspect of YPO's governance framework and is designed to manage risk to a reasonable level. It helps to identify and prioritise mitigation of the risks to the achievement of our aims and objectives. The system of internal control:

- Facilitates the achievements of YPO's aims and objectives
- Includes effective arrangements for the management of risk
- Ensures that the financial and operational management of YPO is effective

Sources of Assurance

YPO has a duty to ensure it has arrangements in place for effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes, taking into account public sector internal audit standards and guidance. It is part of the Lead Authority's role to provide an effective internal audit service as part of an agreed Service Level Agreement. Any officer or member must, if required to do so for the purposes of Internal Audit, make available such documents and records, and supply such information and explanations, as are considered necessary by those conducting the internal audit.

YPO appoints an external auditor to conduct a high-level risk-based assessment of our financial systems, processes and transactions, to provide reasonable assurance, and an independent opinion that our financial statements give a true and fair view of our financial performance, free from material misstatement and prepared in accordance with relevant legal and accounting standards.

Assurance is also available from other providers including those with legal and regulatory powers such as HSE, or those providing assessment of YPO's activities against established measures such as ISO (International Organisation for Standardisation) standards.

Audit Committees in Local Authorities (CIPFA Position Statement updated 2022)

CIPFA's position statement sets out how UK local authorities can meet their statutory responsibilities for governance by establishing an audit committee. The position statement outlines the status, purpose, and core responsibilities of an audit committee, to:

- Provide an independent and high-level focus on the adequacy of governance, risk and internal control arrangements.
- Give confidence to those charged with governance that there is sufficient control over governance, risk and internal control that arrangements are effective.

The position statement recommends an audit committee based on an 'independent and effective model' with sufficient authority that its recommendations carry weight and have influence with the leadership team and those charged with governance. Elements include:

- Directly accountable to the governing body
- Independent of both the executive and scrutiny functions
- Has rights of access to, and constructive engagement with, other committees and functions, and rights to request reports and seek assurances from relevant officers.
- Is of an appropriate size to operate as an experienced, trained committee.
- May allow independent members to be co-opted onto the committee.

Application of the CIPFA Position Statement to YPO Audit & Governance Sub-Committee

YPO's Audit & Governance Sub-Committee has been established to meet the requirements of CIPFA's position statement, as far as is reasonable and practicable, and so contribute to YPO's overall governance, risk and assurance arrangements.

The Sub-Committee delivers all of the core functions outlined in the position statement, as set out in its Terms of Reference. However, it differs from the 'independent and effective model' in three key ways, that are noted here for transparency.

- Due to organisational structures and member representation, the Sub-Committee is not independent of both the executive and scrutiny functions. However, risk is mitigated by other controls including transparency around appointments to committees; member declarations of interest; arrangements for public reporting; and the access and reporting rights of the Non-Executive Director whose role specification includes a responsibility to identify potential risks to governance controls as well as operational continuity.
- The Sub-Committee provides YPO's overview and scrutiny function including the ability to gather information to carry out reviews; to contribute to policy development and implementation; and to examine any decisions made or to be made.
- The Sub-Committee does not have a means of co-opting independent members on a standing or ad hoc basis. This is mitigated by the Lead Authority's provision of appropriately qualified staff to carry out the roles of Section 151 officer and Monitoring office and support from other relevant organisations such as the Local Government Association (LGA).