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Date 30 October 2025

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Typetalk calls welcome

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

Dear Member

**YPO AUDIT & GOVERNANCE SUB-COMMITTEE – FRIDAY, 7 NOVEMBER 2025**

It is with pleasure that I write to invite you to attend a meeting of the YPO Joint Committee Audit and Governance Sub-Committee which is to be held at **10:30 am on Friday, 7 November 2025 in the YPO Headquarters** to consider the items set out in the agenda attached.

Yours sincerely



Tony Reeves  
Secretary to the Joint Committee

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



# YORKSHIRE PURCHASING ORGANISATION AUDIT & GOVERNANCE SUB-COMMITTEE

Friday, 7 November 2025

## 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 4 July 2025.(Pages 1 - 8)
6. Governance Group Report - Including Audit & Governance Sub Committee & YPO Governance Group Terms of Reference. (Pages 9 - 19)
7. Annual Governance Statement Progress Report. (Pages 21 -24)
8. Assurance Review and Update Report. (Pages 25 - 29)
9. Draft Internal Audit Plan 2026. (Pages 31 - 43)
10. Internal Audit - Verbal update to Members.
11. **Exclusion of the Public and Press**  
"That the public and press be excluded from the meeting during consideration of agenda items 12 to 16 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended".  
**IN PRIVATE**
12. Anti-Bribery Policy Statement and Risk Assessment. (Pages 45 - 53)
13. Counter Fraud Framework. (Pages 55 - 65)
14. Business Continuity Update. (Pages 67 - 71)
15. Yearend Closedown Timetable. (Pages 73 - 75)
16. Treasury Management Progress Report. (Pages 77 - 90)
17. Date of next meeting - 3rd July 2026.

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**YORKSHIRE PURCHASING ORGANISATION  
AUDIT & GOVERNANCE SUB-COMMITTEE  
FRIDAY, 4<sup>TH</sup> JULY 2025**

**Present:** Councillors: Frost (Barnsley), White (North Yorkshire), Rose (York).

<b>1.</b>	<b>CHAIR'S INTRODUCTION &amp; WELCOME &amp; ELECTION OF A TEMPORARY CHAIR</b>
	<p>Nominations were requested for a temporary Chair of the Audit &amp; Governance Sub Committee.</p> <p><b>Resolved:</b> (1) It was seconded and agreed by all for Councillor Frost (Barnsley) to be elected as the meeting Chair.</p> <p>Introductions took place.</p>
<b>2.</b>	<b>ACCEPTANCE OF APOLOGIES FOR ABSENCE</b>
	<p>Apologies for absence were received on behalf of Councillors Baker-Rogers (Rotherham), Lonergan (Knowsley), Khurram (Bolton), and Turner (Kirklees).</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><b>Resolved –</b> (1) The minutes of the YPO Audit &amp; Governance Sub-Committee held on 8<sup>th</sup> November 2024 were approved by all.</p>
<b>6.</b>	<b>AUDIT &amp; GOVERNANCE SUB COMMITTEE TERMS OF REFERENCE &amp; WORK PROGRAMME 2025-2026</b>
	<p>Consideration was given to the report of the Managing Director which provided members with an overview of the work scheduled for the 2025/26 committee cycle.</p> <p>The report also proposed the Terms of Reference, Principal Agenda Items, and 2025/26 Meeting Schedule.</p> <p>Simon explained we are proposing to further review the Audit &amp; Governance Sub-Committee Terms of Reference in the second half of the year and bring these back to a future meeting, to better align with the updated CIPFA guidance.</p> <p><b>Resolved –</b> (1) That the report be noted and submitted to the Management Committee for sign off by all Members.</p>

<b>7.</b>	<b>YPO GOVERNANCE GROUP UPDATE</b>
	<p>Consideration was given to a report of the Head of Finance entitled Governance Group Update. The report picks up from November 2024 and looks ahead for the next 12 months.</p> <p>Simon Hill shared the governance group is a central group within the business that was set up to ensure all governance across the organisation is captured in one place, to review the risks, and maintain oversight. The group also ensures policies remain up to date, and maintain best practise across the organisation.</p> <p>The governance group are completing an exercise whereby policies are being placed onto a system so that there will be better version control and tracking in place going forward.</p> <p>Simon noted that the decision was taken not to bring the full set of declarations of interest back to Committee, but these will be reviewed on a sample basis going forward and audited internally by the governance group.</p> <p>Matthew Hirst noted there is an on-going piece of work around KPIs, which are continually being reviewed to ensure they are fit for purpose to enable management to review performance and make any required decisions. The Power BI system is being used more across the business to ensure everyone has the accessibility to view the data and ensure efficiencies.</p> <p><b>Resolved</b> - (1) That the Audit &amp; Governance Sub-Committee receive the report on the Governance Group’s work over the last nine months and consider the work programme for 2025.</p> <p>(2) That the Audit &amp; Governance Sub-Committee members include, from paragraph 1.12 onwards, commentary on the fulfilment of their own role and contribution to YPO’s governance arrangements, creating a joint member and officer report to Management Committee. It was agreed to use the proposed wording contained in appendix 1.</p>
<b>8.</b>	<b>LOCAL CODE OF GOVERNANCE &amp; ANNUAL GOVERNANCE STATEMENT 2024</b>
	<p>The Head of Finance (Matthew Hirst) talked through the report. This is an annual report that sets out YPO’s compliance with the requirements of the Accounts &amp; Audit Regulations 2015 (amended 2024) and CIPFA / SOLACE Delivering Good Governance in Local Government: Framework (2016) which has three key steps:</p> <ul style="list-style-type: none"> <li>▪ Publish a Local Code of Governance that sets out how YPO delivers the principles of the 2016 Framework (Appendix 1).</li> <li>▪ Conduct an annual review of the effectiveness of our governance arrangements in practice.</li> <li>▪ Report the results of the annual review in an Annual Governance Statement and publish it with the Statement of Accounts (Appendix 2).</li> </ul> <p>Matthew Hirst explained the main changes are raising awareness and reporting</p>

	<p>on sustainability.</p> <p>Cllr Rose noted his congratulations on achieving the ISO accreditation, and highlighted the wording in the report should refer to Forvis Mazars. Matthew agreed we will amend the report wording to reflect this.</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 2024.</p>
<b>9.</b>	<b>FINANCIAL PROCEDURE RULES &amp; CONTRACT STANDING ORDERS</b>
	<p>The Committee considered a report of the Head of Finance which provides details and basis for the proposed amendments to the Organisations governance documentation.</p> <p>The Contract Standing Orders (CSO) have been updated to reflect changes to Procurement Legislation and to the Organisations operational processes.</p> <p>The Financial Procedural Rules (FPR) have been updated in line with their review date and following recommendation from Internal Audit.</p> <p>Matthew Hirst shared the key changes to the documents. Following the introduction of the new procurement act this year, our internal documents have been amended to reflect any changes that have arisen as a result of the new regulations. Internal structure change amends have also been reflected where required.</p> <p>Simon Hill raised that in certain exceptional circumstances we do have the ability to override the rules if necessary, although the need for this is very minimal.</p> <p><b>Resolved</b> - (1) The Committee reviewed and approved the proposed amendments to be presented and approved at the Management Committee meeting held on 18th July 2025.</p>
<b>10.</b>	<b>EXTERNAL AUDIT COMPLETION REPORT</b>
	<p>Jordan Townend and Shaun Mullins (Forvis Mazars) shared the External Audit completion report.</p> <p>Shaun shared some areas of the report are subject to a final review of audit file and conclusion of the going concern.</p> <p>Jordan talked through the key headlines of the report and addressed the significant risks and the recommendations.</p> <p>Councillor White asked for confirmation on some of the figures contained in the report. Shaun Mullins addressed the question and provided an explanation on this.</p> <p>Simon Hill explained we have had an issue with the rebate income accounting, we are currently working on a system to automate this going forward to address these issues.</p>

	<p>Jordan raised that there is a recommendation around separating the JC and YPO Supplies Ltd within Navision. This will assist with future audits and ensure transactions are recorded in the correct entity.</p> <p>Jordan shared information around the non-adjusted misstatements picked up in the audit and talked through these. The unadjusted position is below.</p> <p>Jordan shared the adjusted misstatements, and provided an update on items that have since been updated.</p> <p>Jordan talked through the table in the report that addresses the key audit items, and shared information relating to the recurring and non-recurring items.</p> <p>It was agreed that Forvis Mazars will provide a further status update in the next meeting.</p> <p>Forvis Mazars thanked Matthew Hirst and the finance team for their co-operation during the audit process.</p> <p><b>Resolved</b> – (1) That the report be noted.</p>
<b>11.</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 2024.</p> <p>Matthew Hirst (Head of Finance) talked through the report and accounts.</p> <p>Matthew raised that EBITDA figures have been included in the accounts and noted that although the final reviews are still taking place, we do not expect any material changes to the figures stated in the accounts before the final sign off at the AGM.</p> <p><b>Resolved</b> – (1) That the outstanding audit matters, and mainly cosmetic impact, are noted.</p> <p>(2) The Committee reviewed and approved the final accounts to be signed by the Management Committee Chairperson and Interim Chief Finance Officer at WMDC, at the Management Committee meeting held on 18th July 2025.</p>
<b>12.</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 13 - 18 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>13.</b>	<b>INTERNAL AUDIT ACTION UPDATE</b>
	<p>The Head of Finance (Matthew Hirst) 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.</p>

It was noted there has been a slight reduction of actions year on year. We expect all actions to be completed this year.

It was raised that relating to the workforce development actions, 10 actions were contained in the stage 1 report, most of these have been implemented. Stage 2 is now commencing and any outstanding actions from stage 1 will now roll into stage 2.

Cllr Rose asked for clarification around the action relating to the change log reviews, Jason Brook agreed to provide a separate note on this to clarify further.

**Resolved –** (1) That the Audit & Governance Sub-Committee note progress on completion of Internal Audit actions.

**14. ANNUAL ASSURANCE OPINION 2024**

Consideration was given to the report of the Head of Internal Audit & Counter-Fraud (Wakefield Council) which provides Members with an update on the strength of YPO’s governance, risk management, and control processes. Internal audit provided by Wakefield Council as lead authority.

Jason Brook talked through the tables contained within the report, and shared there is a good working relationship with the finance team at YPO.

Jason raised the report on the effectiveness of the Audit & Governance sub-committee is attached. A discussion was held relating to the issues with attendance at Committee meetings. We are looking into the possibility of creating a skills matrix to try to ensure we get the appropriate mix of skillsets on the committee meetings. Jason noted work has started on this and Internal Audit are looking at how we can further support this area.

A discussion was held around the comparison year on year and the improvements made.

Gillian Marshall noted that as Monitoring Officer, there have been improvements to the governance approach over the last 6 years. YPO have strengthened their approach to governance and risk, including providing further transparency.

Councillor Rose asked for clarification on certain items within the report. Jason Brook provided detailed responses.

Helen Lisle (Non-Executive Director) shared she has been in post almost three years, and during that time there has been a robust and rigorous approach to risk management. New tools have been put in place, and Board are getting the required assurance and ensuring this also feeds down into the teams.

A further discussion was held around Member attendance. Helen Lisle noted her agreement that further action should be taken. Gillian Marshall noted this was also raised in the Legal Officer forum.

A suggestion was made around further use of substitutes to ensure consistency if the main member is not able to attend.

Cllr Rose said it would be useful to see updates to be brought back to next meeting.

	<p><b>Resolved –</b> (1) That the Committee received and noted the audit annual assurance opinion.</p> <p>(2) The Committee notes the continued conformance to the Public Sector Internal Audit Standards.</p>
<b>15.</b>	<b>RISK MANAGEMENT FRAMEWORK &amp; STRATEGIC RISK REGISTER</b>
	<p>Matthew Hirst (Head of Finance) talked through the Risk Management Framework and Strategic Risk Register report.</p> <p>The Risk Management Strategy &amp; Framework has been reviewed for 2025 and some minor changes made to the document. These mainly focus on changes in risk reporting now that risk management information is available in real time on the new system. The system also provides an audit trail on any updates made to the risks.</p> <p>There are currently four higher rated risks, primary linked to IT and cyber.</p> <p>Matthew shared an update with Members on the new risks that were added in 2024.</p> <p>A discussion was held around the approach to risk and including opportunity risk. Andrea Hirst-Gee (Assistant Financial Controller) explained our aim going forward is to include opportunity risk. This also fits in well as we are currently developing our next strategy period for 2026 onwards, so we would like to build this into that.</p> <p><b>Resolved –</b> (1) Audit &amp; Governance Sub-Committee note this report and updated Risk Management Strategy and Framework (Appendix 1).</p> <p>(2) Audit &amp; Governance Sub-Committee note the Strategic Risk Score Comparison report (Appendix 2) and identify any questions they wish to ask of risk owners (YPO Board).</p>
<b>16.</b>	<b>WORKFORCE INFORMATION REPORT</b>
	<p>Julie Hawley (Executive Director) presented the Workforce Information Report.</p> <p>The Workforce Information Report provides detail and analysis about YPO's current workforce, including recruitment and induction, absence management, wellbeing and equity, diversity and inclusion. The report reflects the first five months of the year from January to May 2025.</p> <p>Julie shared we have recently launched a fully digital recruitment platform, which will hopefully improve our recruitment processes both internally and externally.</p> <p>Julie noted we have recently completed a culture survey across the business and are now reviewing the results of this, along with ensuring any required actions are picked up.</p>

	<p>A discussion was held around the possible need for further training as part of the digital transformation programme. It is important to maintain a balance and ensuring the skillsets are correct for all areas of the business.</p> <p>Councillors made a number of comments on the report and these were noted by Officers.</p> <p><b>Resolved – (1)</b> That the Committee notes the information provided in relation to YPO’s workforce.</p>
<b>17.</b>	<b>IT UPDATE</b>
	<p>Consideration was given to the report of the Executive Director relating to an update on key IT areas, including AI, Cyber Security, and System Life Expectancy.</p> <p>Simon Hill talked through the report and key issue areas. We have recently received the ISO 27001 accreditation, which is hopefully another assurance mechanism to Members. We now need to ensure we maintain the on-going training. Simon shared the Cyber Essentials accreditation is our next target.</p> <p>A discussion was held around AI. We are mindful that a balance is required to embrace the efficiencies this can support with but also be aware of the risks. We are rolling out the use of AI in a controlled way.</p> <p>It was noted we are looking to introduce the Microsoft Purview system to support us in categorising our data and documents, to ensure that AI is not using any of YPO’s confidential information.</p> <p>A discussion was held around our systems. The planned ERP upgrade is the next big upgrade required. For business continuity purposes we want to ensure all systems are up to date.</p> <p>Cllr Rose asked why the risk relating to cyber is still red? It was noted this has been a consideration of the Board, and it is being kept as red due to the high risk nature of possible cyber-attacks. This is very high on the organisations radar.</p> <p>A discussion was held around the use of AI internally, and how this is monitored. There is also a cultural element around use of new technologies.</p> <p>Shaun Mullins (Forvis Mazars) suggested that if Mazars can support with any advice on best practice, this can be arranged.</p> <p><b>Resolved – (1)</b> That the Audit &amp; Governance Sub-Committee note the arrangements in place to address the three key areas of cyber and information security, Artificial Intelligence, and System Lifecycles and note currently they are being managed effectively.</p>
<b>18.</b>	<b>TREASURY OUTTURN REPORT</b>
	<p>Lisa Kitto (Wakefield Council - S151 Officer) talked through the Treasury Management Progress report.</p>

	<p>The report clarifies the end of year position for 2024 and confirms that YPO has been operating in its agreed investment strategy. Lisa noted that the loan from Wakefield Council has also now been re-paid, which supports the confidence that YPO have the ability to repay any loans on time.</p> <p>It was agreed it would be useful to include a note around the re-payment of the loan in the external audit report going concern.</p> <p>Lisa explained there are no major suggested changes to the 2026 investment strategy, the proposal is that it will be similar to this year's strategy.</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 2024 to 31st December 2024 in accordance with the agreed strategy.</p> <p>(2) Consider any potential amendments Members may wish to include in the Investment Strategy for 2026 (appendix 2).</p>
	<b>DATE AND TIME OF NEXT MEETING</b>
	<b>Resolved</b> – (1) That the next meeting of the YPO Audit & Governance Sub Committee is proposed to be held on 7 <sup>th</sup> November 2025, 10.30am.



YPO

**AUDIT & GOVERNANCE SUB-  
COMMITTEE**

**TO BE HELD ON**

**7<sup>TH</sup> NOVEMBER 2025**

**TITLE: GOVERNANCE GROUP REPORT JULY – OCTOBER 2025**

**REPORT OF: MANAGING DIRECTOR**

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## **1. BACKGROUND INFORMATION**

- 1.1 In July 2023 Audit & Governance Sub-Committee recommended that YPO establish an officer group to provide greater assurance, to both those charged with governance and those charged with oversight, that effective governance is in place at YPO. The Governance Group was set up shortly afterwards and is now chaired by the Managing Director. The Governance Group provides a report back to the sub-committee at each of their meetings. The most recent report, received in July, covered Nov 2024 to June 2025, and this report now follows on from there.
- 1.2 A key area of work for the Governance Group is policy management and review. The Group provides a standardised approach to policy development, writing and version control. The Group completes an initial review of all new and updated policies and maintains a protocol for policy approval. Since the last report we have now added a new function of policy tracking, ensuring policies overdue for renewal are proactively followed up with the relevant owners.
- 1.3 Another key area of work is development of a Digital Constitution, bringing together governance documents similar to those published by our Founder Member Authorities. We have made good progress on this and expect to publish by the end of 2025. Terms of reference for key governance bodies are also included in the Digital Constitution. Appendix 1 shows the Terms of Reference for the Audit & Governance Sub-Committee.
- 1.4 These were first presented to the Sub-Committee in 2024 and approved, but Internal Audit's report on the Effectiveness of Audit & Governance Sub-Committee, presented in July 2025, recommended the Terms of Reference be expanded to include oversight of YPO's Value For Money (VFM) work; ensuring the adequacy and effectiveness of YPO's assurance framework (note there is a separate report to this meeting on planned improvements to our assurance framework); making enquiries about External Audit's planned approach to their work; and ensuring the quality of External Audit work. These areas have been added (in italics for clarity) to the updated Terms of Reference attached at Appendix 1: VFM under 'Financial and Governance Reporting' and the remainder under 'Establish appropriate and effective risks for audit and assurance'. There are no other changes to the terms of reference.

1.5 The Governance Group's other areas of work include oversight of Anti-Bribery & Corruption, Counter Fraud, and Business Continuity and members will note reports on all of these areas at their November 2025 meeting.

1.6 The Governance Group has evolved since its inception in July 2023 and so we have also reviewed our own Terms of Reference to reflect our ways of working and areas under our remit. These are now attached at Appendix 2.

## **2. STRATEGIC IMPLICATIONS**

2.1 The Governance Group supports YPO's commitment to good governance throughout the planning and delivery of our 5 Year Strategy, strategic objectives and deliverables.

## **3. FINANCIAL/RESOURCE IMPLICATIONS**

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

## **4. LEGAL IMPLICATIONS**

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

## **5. RISK IMPLICATIONS**

5.1 Governance Group's work and its oversight by Audit & Governance Sub-Committee help to strengthen YPO's system of internal control, which is a key element of our governance framework, designed to manage risk to a reasonable level.

## **6. CONSULTATION**

6.1 The Governance Group has been consulted on this report.

## **7. OPTIONS APPRAISAL**

7.1 We could choose not to have a report back from the Governance Group to Audit & Governance Sub-Committee, but that would miss an opportunity to strengthen risk and governance arrangements.

## **8. RECOMMENDATIONS**

8.1 Audit and Governance Sub-Committee receive the report and approved the amended Terms of Reference for the sub-committee (Appendix 1).

8.2 Audit & Governance Sub-committee note the updated Terms of Reference for the Governance Group (Appendix 2).

## **9. REASONS FOR RECOMMENDATIONS**

9.1 These recommendations help to strengthen YPO's governance arrangements.

**SERVICE DIRECTOR: SIMON HILL, MANAGING DIRECTOR**

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**APPENDICES:**

*Appendix 1: Audit & Governance Sub-Committee Terms of Reference updated 2025*

*Appendix 2: Governance Group Terms of Reference updated 2025*

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## YPO Constitution 2024 Draft (extract)

### APPENDIX 2

#### Audit & Governance Sub-Committee Terms of Reference

<b>Name of Committee:</b>	Audit & Governance Sub-Committee
<b>Date ToR published:</b>	November 2025 (replaces November 2024)
<b>Next review due:</b>	June 2026 (and annually thereafter)

#### Authority, Accountability, Relationships

Audit & Governance Sub-Committee is an elected member committee set up by YPO and its Founder Member Authorities to meet the requirements for a local authority audit committee, as set out in the CIPFA Position Statement 2022 as far as is reasonable and practicable. The Sub-Committee retains some responsibilities of its predecessor Audit & Scrutiny Sub-Committee (and earlier Scrutiny Sub-Committee), set up in compliance with the Local Government Act 2000.

The Sub-Committee is accountable to the YPO Management Committee. In addition to its audit committee responsibilities, and its inherited overview and scrutiny powers, it may also undertake work and take decisions delegated by the Management Committee.

The Sub-Committee is not required to be politically proportionate, but it is expected to operate in an apolitical manner and to promote apolitical discussion.

#### Membership

- Membership is open to eight elected members from across the 13 Founder Member Authorities, no more than one per local authority. The Chair and Vice Chair of the Management Committee cannot be members of the Sub-Committee.
- One agreed named substitute per Founder Member Authority is allowed.
- Membership is reviewed annually following Local Authority elections.
- The Chair and Vice Chair of the Sub-Committee are appointed at the YPO AGM.
- At least three Founder Member Authorities must be represented for the meeting to be quorate.

#### Activity and Decision Making

- The Sub-Committee will meet at least twice per year, approximately one month prior to YPO Management Committee meetings. Emergency or ad hoc meetings may be arranged by agreement between the Chairs / Vice Chairs of the Sub-Committee and Management Committee, YPO's Managing Director and the Lead Authority.
- Meetings will be managed by YPO Business Services and Wakefield Council Chief Executive's Office in accordance with Local Government Act 1972.
- Meeting agendas will include standing items, cyclical and ad hoc reports. A list of principal agenda items will be published annually.

## **YPO Constitution 2024 Draft (extract)**

- Sub-Committee members must respect personal and commercial confidentiality of information shared.

### **Purpose, Role and Responsibilities**

Audit & Governance Sub-Committee is a key component of YPO's governance and internal control framework. Its role is to provide an independent and high-level focus on the adequacy of YPO's governance, risk and control arrangements, and to give confidence to those charged with governance that there is sufficient control over governance, risk and control that arrangements are operating effectively. Audit & Governance Sub-Committee can also undertake overview and scrutiny functions.

### **Core Audit Committee Functions**

Maintenance of governance, risk and control arrangements:

- Support a comprehensive understanding of governance across YPO
- Consider the effectiveness of YPO's risk management arrangements; understand YPO's risk profile; and seek assurances that risks are being actively managed
- Monitor the effectiveness of YPO's system of internal control, including financial management; standards and ethics; exposure to the risk of fraud and corruption

Financial and governance reporting:

- Be satisfied that YPO's accountability statements properly reflect the risk environment, and demonstrate how governance supports the achievement of YPO's objectives
- Support effective arrangements for YPO's financial reporting, and review the statutory statements of account and reports that accompany them
- Have oversight of YPO's Treasury Management arrangements
- *Have oversight of YPO's Value for Money work*

Establish appropriate and effective arrangements for audit and assurance:

- *Ensuring the adequacy and effectiveness of the assurance framework*
- Oversee Internal Audit independence, performance and professional standards
- Ensure Internal Audit work is planned and carried out with regard to significant risk, to provide assurance that governance, risk and controls are operating effectively
- Consider the appointment, work programme, reports, opinion, and recommendations of External Audit, and their implications for governance, risk and internal control
- *Make enquiries regarding External Audit's planned audit approach and ensure the quality of External Audit work*
- Ensure YPO Management implement audit actions and recommendations

### **Overview and Scrutiny Functions**

- Gather information from diverse sources to conduct reviews over a range of issues
- Contribute to policy development and implementation
- Examine any decisions made or to be made

**YPO Constitution 2024 Draft (extract)**

**Review and Report**

- YPO Management Committee may request a review of the Sub-Committee.
- The Sub-Committee should undertake an annual review of how it has complied with the position statement; discharged its responsibilities; its performance; evaluated its impact; and identified any improvements, and publish the results in a public report.

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## Terms of Reference

<b>Name of Group:</b>	Governance Group
<b>Date ToR published:</b>	November 2025
<b>Next review due:</b>	Annually

### Authority, Accountability, Relationships

The Governance Group is a working group, set up on the recommendation of the Audit & Governance Sub-Committee in July 2023, to strengthen governance arrangements and to provide assurance to those charged with governance (YPO Management Committee) and those charged with oversight (including the YPO Audit & Governance Sub-Committee) that effective governance is in place at YPO.

The Group's remit will cover all aspects of governance, but in particular:

- The legal, regulatory and best practice governance requirements that YPO inherits from its Local Authority ownership (including but not limited to Local Government Act 1972, Accounts & Audit Regulations (2015 amended), CIPFA/SOLACE Framework for Good Governance 2016)
- Additional arrangements YPO has put in place to govern its commercial activities

The group is chaired by the Managing Director and reports to the YPO Audit & Governance Sub-Committee, and via the sub-committee, to the YPO Management Committee.

### Membership

The Group is made up of employees whose day to day job roles include responsibility for key aspects of the governance framework and support for governance.

Members of the core working group are:

- Managing Director (Chair)
- Head of Finance (Deputy Chair)
- Assistant Financial Controller
- Senior Legal and Compliance Manager
- Business Services Manager
- Senior Business Services Officer

Other employees may be co-opted onto the group where their knowledge and expertise is relevant to the matters under consideration.

### Responsibilities

The Group's core responsibilities include: policy review; YPO's digital constitution; engagement with Audit & Governance Sub-Committee; oversight of a number of related governance frameworks including risk management; anti-bribery and corruption; counter-fraud; business continuity management; and liaison with Internal Audit

### **Policy Management and Review**

- The Group is responsible for providing a standardised good practice approach to policy development, writing and version control, so that policies conform to an agreed format, and are clear, concise and consistent, and for raising awareness of this requirement with policy authors.
- The Group completes an initial review of all new and updated policies. A process is in place for policy review and a protocol is in place to determine whether the group can approve a policy or whether it needs to be directed to another body for final approval (eg YPO Board or Management Committee).
- The Group tracks policy review dates on MetaCompliance and follows up policies due and overdue for review with the relevant policy owners.

### **Digital Constitution**

- The Group is responsible for developing and maintaining a Digital Constitution for YPO (similar to those of our Founder Member Authorities) that brings together into one place all of YPO's key governance documents including: the Management Agreement; Scheme of Delegation; Standing Orders for Contracts; Financial Procedure Rules; and Terms of Reference for member committees and officer fora.
- Group members are responsible for ensuring that many of these governance documents are reviewed, updated and presented for approval on a regular basis.

### **Engagement with and Support to Audit & Governance Sub-Committee**

- The Group provides advice and guidance to members on the role of the Audit & Governance Sub-Committee, its place in the YPO Governance framework, and what support is available to help it to fulfil its role
- Development of a joint officer / member report on governance work to the YPO Management Committee

### **Other Areas of Oversight**

- Anti-Bribery and Corruption Framework
- Counter Fraud Framework
- Business Continuity Management Arrangements
- Delivery of the Annual Internal Audit Plan

### **Activity & Decision Making**

- The group meets monthly. Meetings will usually be held over Teams.
- Meeting agendas, papers etc are circulated over Teams and saved on a dedicated SharePoint site. The agenda includes standing items, cyclical and ad hoc reports.
- Authority for decision making, in particular with regard to policy review, and the role of the Group in relation to the YPO Board and Management Committee, is set out in a separate policy review protocol.
- Group members are expected to respect personal and commercial confidentiality of any information shared.

## **Review**

- YPO Management Committee or Audit & Governance Sub-Committee may request a review of the group, their activity, impact and communications.
- The Group submits an annual report on its work the Audit & Governance Sub-Committee and via the sub-committee to the YPO Management Committee
- The group's contribution to effective governance is reviewed as part of YPO's annual governance review.
- The group may carry out its own review of its work programme, activity and impact.

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**YPO**

**AUDIT & GOVERNANCE SUB-  
COMMITTEE**

**TO BE HELD ON**

**7<sup>TH</sup> NOVEMBER 2025**

**TITLE: ANNUAL GOVERNANCE STATEMENT 2024: UPDATE ON PROGRESS**

**REPORT OF: HEAD OF FINANCE**

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## **1. BACKGROUND INFORMATION**

- 1.1 At its meeting in July 2025 the Audit & Governance Sub-Committee considered a report on the Annual Governance Statement (AGS) 2024. It was proposed and agreed that an update on the progress of matters noted in the section headed 'Significant Governance Issues' would be brought back to this meeting. It should be noted that almost all of the issues reported reflect continuous improvement and strengthened governance arrangements and therefore many are not signed off as fully complete.
- 1.2 Updated Governance Structure: focus in the AGS 2024 was on the Governance Group becoming fully operational and making its first report back on its work programme and progress. Reports were made to Audit & Governance Sub-Committee in November 2024 and July 2025. The focus of the Group's report to this meeting is on updated Terms of Reference for both the group itself and the Audit & Governance Sub-Committee (see agenda item X).
- 1.3 Developments in Risk Management: focus in the AGS 2024 was on implementation of and engagement with the then new risk management system developed on Smartsheet. A post implementation review shows that the objectives for development of the system (secure access to risk registers; one single view of each risk; real time risk review; improved accountability and risk reporting; increased risk management profile and engagement) have all been delivered. The focus going forward is on maturing risk management to enable better understanding of risk appetite, opportunity risk, and risk and reward, to support the new 5 Year Strategy for growth.
- 1.4 Developments in Business Planning: focus in the AGS 2024 was on implementation of a Business Planning system using the same platform as the Risk Management System (Smartsheet). The system was implemented in time to support the Business Planning process for 2026, which at the time of this meeting, is in its concluding stages. The new system has been effectively used to capture all department business plans and how they support ongoing projects and the different themes within the Strategy. It also allows YPO to quickly capture all investment requirements and subsequent returns. Once the business plans have been approved, this new system allows us to track individual objectives, the deliverables that sit beneath them to ensure that they are delivered in the agreed timeframes.

- 1.5 Developments in Business Continuity Management (BCM): focus in the AGS 2024 was on a full review of BCM arrangements in 2024, continuing in 2025. This included updated BCM Policy and Incident Management Plan, and a significant amount of work to develop and test new BCM plans with the YPO Board and Senior Leadership Team. The focus going forward is on the development of a BCM system that will sit alongside the RM and Business Planning systems on Smartsheet. A report back on development of the BCM system is on the agenda for this meeting (see agenda item X).
- 1.6 Anti-Bribery & Corruption (ABC) Framework: focus in the AGS 2024 was on supporting policies and procedures relating to declaration of employee interests and gifts and hospitality. The view of the Governance Group was that this was an area in need of continued close oversight. Changes have recently been made to reporting lines for processing and monitoring declarations. Online reporting systems have been updated and internal communications have recently been issued across YPO to remind all employees of their compliance requirements. In addition to this aspect of the framework, the Anti-Bribery Policy Statement has recently been reviewed and update; the bribery risk assessment has been refreshed; and the bribery risk register updated. The policy statement and risk register are the subject of a separate report to this meeting (see agenda item 12).
- 1.7 ISO27001 Information Security Management Systems: Following the accreditation in May 2025, YPO has continued to work with external consultants to ensure plans are in place to address any opportunities for improvement and minor non-conformities that were recorded during the audit. Strong engagement is in place across the business and good progress is being made to have the required practices in place in time for the next BSI review, scheduled for June 2026.
- 1.8 Social Value and Sustainability: Good progress has been made in 2025 to ensure YPO continues to meet its social value commitments and carbon accounting targets. The social value website is now live, providing greater visibility to all the work ongoing in this area. YPO has enhanced its reporting on social value impact and carbon emissions in 2025, this will be improved further at the end of 2025 and into 2026 through the introduction of a new carbon accounting software which will allow us to capture and report on all scope 1,2 and 3 emissions effectively
- 1.9 Health & Safety: focus in the AGS 2024 was on a range of improvements over the last year, in particular around fire safety. These are now largely complete and continuous improvement has moved onto other areas of H&S including contractor safety. The new H&S reporting system, Smartlog, is now also fully embedded and working effectively.
- 1.10 Financial Management Standards: The review of YPO's financial management arrangements will be incorporated into a financial resilience internal audit planned for 2026, therefore a full progress report on this will be provided in due course.
- 1.11 Assurance: focus in the AGS 2024 was on refreshing the 'three lines of defence model' for assurance and updating the mapping of existing sources of assurance to the model. This is the subject of a separate report to this meeting (see agenda item X). This section of the AGS also focussed on Internal Audit's timely completion of the annual audit plan to ensure that the assurance provided by the audits is received in a timely manner, to update both internal processes and the Audit & Governance Sub-Committee itself. Staff at YPO are working closely with colleagues in Internal Audit to improve audit planning and delivery for the 2025 plan. The Head Of Internal Audit & Counter-Fraud will provide a verbal update on progress of the plan at the meeting (see agenda item X).

- 1.12 Elected Member Representation: the focus in the AGS 2024 was the recent changes in member representation resulting in vacancies for Chairs and Vice Chairs of both the Management Committee and the Audit & Governance Sub-committee, along with attendance at member meetings. In the absence of provision in the Management Agreement, this issue has been resolved in the short term by the creation of the Chairs Group, comprising the Chair & Vice Chair of Management Committee, Chair of Audit & Governance and Chair of Limited Company. This group can be used for consultation over emergency decision-making required between formal committee meetings and the Terms of Reference have been presented separately to elected members.

## **2. STRATEGIC IMPLICATIONS**

- 2.1 Good governance is an essential element in YPO's successful completion of its 5 Year Strategy, strategic objectives and deliverables.

## **3. FINANCIAL/RESOURCE IMPLICATIONS**

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

## **4. LEGAL IMPLICATIONS**

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

## **5. RISK IMPLICATIONS**

- 5.1 Maintaining and improving governance arrangements contributes to effective risk management in a number of high risk areas.

## **6. CONSULTATION**

- 6.1 The Governance Group has been consulted on this report.

## **7. OPTIONS APPRAISAL**

- 7.1 We could choose to not report back on progress of governance matters highlighted in the AGS but this report provides a useful summary of progress made and progress outstanding throughout the year.

## **8. RECOMMENDATIONS**

- 8.1 Audit & Governance Sub-Committee are asked to note the report and raise any areas of concern with regard to progress and completion of outstanding governance issues.

## **9. REASONS FOR RECOMMENDATIONS**

- 9.1 Audit & Governance Sub-Committee play a key role in providing oversight of governance issues.

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**YPO**

**AUDIT & GOVERNANCE SUB-COMMITTEE**

**TO BE HELD ON**

**7<sup>TH</sup> NOVEMBER 2025**

**TITLE: ASSURANCE REVIEW AND UPDATE**

**REPORT OF: MANAGING DIRECTOR**

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## **1. BACKGROUND INFORMATION**

- 1.1 In the context of organisational governance and risk, assurance provides confidence that the system of internal control is in place and operating effectively to manage risks and deliver business objectives. Assurance is evidence based: this is in contrast to reassurance which may be based on more subjective factors such as previous success, lack of contradictory evidence, or even confidence in the person providing it. Both are valid contributions but it is important to be able to distinguish between them when reviewing governance and risk matters.
- 1.2 To be effective assurance should be:
- Based on a structured approach to governance, risk and the achievement of objectives
  - Evidence based, providing confirmation that what needs to happen to manage risk and achieve objectives is happening in practice
  - Proportionate to the level of risk involved
  - Positive, giving confidence that risks are being mitigated and objectives achieved; or negative, identifying areas where risk is not being mitigated and action is needed
- 1.3 The first assurance models were introduced in the UK in 2012 with the aim of helping organisations to optimise the value they get from various sources of assurance and helping them to map and co-ordinate these sources to identify gaps and duplication. These were known as 'Three Lines of Defence' models.
- First line: operational and business management. The first line includes managers and teams managing service delivery and risks as part of their day-to-day work. Managers and staff in the first line are responsible for the consistent and correct application of the organisation's policies, standard operating procedures etc.
  - Second line: corporate or central oversight of management (first line) typically provided by frameworks, policies and procedures, tools and techniques as well as cross-cutting controls such as Finance, HR and IT related controls.
  - Third line: functions that provide independent and objective assurance. The most familiar of these is Internal Audit but other sources include External Audit and other external assessments such as ISO audits, Health & safety Executive etc.

- 1.4 Three lines models were supported by assurance maps, a visual representation of the organisation's risks, controls and assurances provide by the different 'lines'.
- 1.5 In late 2024 the Chartered Institute of Internal Auditors (CIIA) updated their guidance on 'three lines of defence' models and moved to a principles based approach that can be more easily tailored to individual organisations. They also redesignated controls provided by support services eg (Finance, HR, IT) as first line, reserving the second line for risk and governance activities eg corporate risk management, quality assurance, regulatory compliance etc. Third line remains as independent sources of assurance.
- 1.6 CIIA also changed the emphasis of the approach from 'defence' (protection against risks) to 'assurance' (confidence arising from evidence that risks are being managed and objectives are being achieved) which also aligns better with the CIPFA / SOLACE Governance Framework 2016, which YPO works to.
- 1.7 Some accounting bodies recommend a 'four lines' model with the third line exclusively reserved for Internal Audit and the fourth line for other external assurance providers.
- 1.8 In the Annual Governance Statement (AGS) 2024 which the Audit & Governance Sub-Committee considered at its meeting in July 2025, YPO made a commitment to review its assurance arrangements. YPO has used a 'three lines of defence' model for several years and this is included in our Risk Management Strategy & Framework. Many of the individual sources of assurance that we rely on are also reported in the AGS itself. However we could enhance our approach in response to recent developments in three (or four) line models and by fully implementing assurance mapping to provide a visual representation of risks, sources of assurance, and any gaps, overlaps or duplication.
- 1.9 Assurance maps help to:
  - Identify a clear and complete picture of the risks we have and the sources and types of assurance in place to ensure they are being mitigated effectively
  - Identify assurance gaps, areas where we do not have adequate sources of assurance in place or assurances provided are negative and further action is needed
  - Identify duplications, where assurance is repeated, excessive or disproportionate to the risk
  - Redirect resources to ensure efficient, effective assurance proportionate to the risk
- 1.10 Assurance maps are sometimes represented as Swiss Cheese Models. This model likens risk management to multiple slices of Swiss cheese, which each have randomly placed and sized holes, stacked on top of each other. Each cheese slice represents an imperfect control or defence. A threat may pass through the hole in one slice but be blocked by the next slice, so the threat does not materialise. However, where the holes line up in multiple slices then the threat will materialise. A diagram of a Swiss cheese model is shown in Appendix 1.
- 1.11 An extract of a more formal assurance map is also shown in Appendix 1 using the example of fraud risk and control. The levels of assurance are aligned to YPO's risk ratings (with high assurance being green and low assurance being red).

## **2. STRATEGIC IMPLICATIONS**

- 2.1 Good governance and risk management supports the achievement of YPO's 5 Year Strategy, strategic objectives and deliverables. Assurance provides confidence that risks to those objectives are being managed and delivery achieved.

**3. FINANCIAL/RESOURCE IMPLICATIONS**

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

**4. LEGAL IMPLICATIONS**

4.1 There are no legal implications arising from this report.

**5. RISK IMPLICATIONS**

5.1 Assurance enhances risk management by providing confidence that the controls in place to manage risk are effective and operating in practice, or if not, identifies actions needed to ensure this going forward.

**6. CONSULTATION**

6.1 Governance Group have been consulted on this report.

**7. OPTIONS APPRAISAL**

7.1 We could continue with existing arrangements but new models and approaches at national level provide the opportunity to review and strengthen our approach.

**8. RECOMMENDATIONS**

8.1 Audit & Governance Sub-Committee note the proposals to refresh our 'Three Lines' approach to governance, and to develop more robust assurance mapping, and provide guidance or challenge on the proposals.

**9. REASONS FOR RECOMMENDATIONS**

9.1 As a key part of YPO's overall governance arrangements, Audit & Governance Sub-Committee both receive assurance (from other providers) and provide assurance to YPO's executive decision makers (management Committee). Their insight into assurance arrangements is therefore essential.

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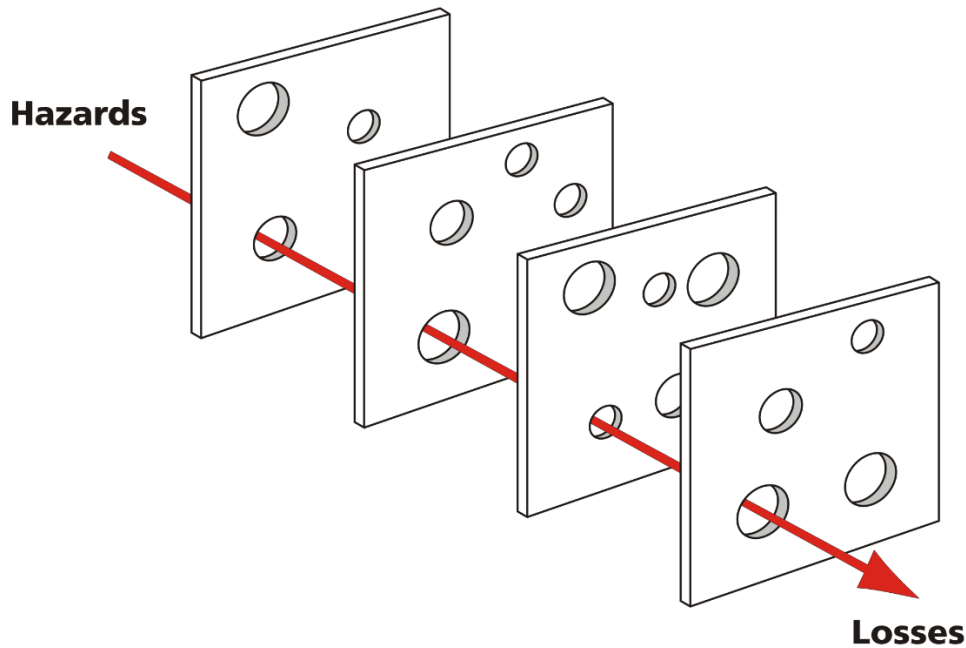
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**APPENDICES:**

*Appendix 1: Assurance Mapping*

## Appendix 1 Assurance Mapping

### Swiss Cheese Model



(Credit: [Davidmack via Wikipedia](#))

### Extract from an Assurance Map: Risk of fraud leading to loss

Strategic Risk Register Reference	Current Risk Rating	Target Risk Rating	1st Line: Operational / Service Delivery		2nd Line: Corporate & Central Oversight				3rd Line: Independent providers		Comment / Action
			Operating Procedures	Compliance	Organisational Policies	Compliance Checks	Links to Strategic Risk	Training & Awareness			
SRR017 Inherent risk of financial crime caused by the nature of YPO's business leads to loss	6 Medium	6 Medium	Operating procedures are in place in high fraud risk areas of the business eg Finance, HR & IT and staff are trained in how to spot fraud and suspected fraud	Fraudsters are becoming increasingly and where staff are working under pressure there is a risk of human error (eg clicking on a link in a phishing email) leading to fraud risk.	Organisational policies are in place such as Counter Fraud Framework, Whistleblowing Policy, Employee Code of Conduct, Declarations of Interests, Gifts & Hospitality etc	Ownership of some organisational policies have recently changed following structural changes and compliance checks eg on declarations are overdue	Fraud risk is included on the Strategic Risk Register which is reviewed by the YPO Board on a quarterly basis.	L&D provide training modules covering fraud and other financial crime. Training is mandatory and monitored for take up with managers reminding staff at regular intervals.	WMDC's Counter Fraud Team provide advise to YPO on Counter Fraud best practice and support with investigating suspected fraud	Review of counter fraud controls are included in some planned audits eg supplier bank detail changes in the upcoming Creditors audit. IA findings will prompt a review of this factor.	The nature of YPO's business (global sourcing and procurement) means we have a high inherent risk of fraud and other financial crimes. Risk ratings reflect a range of risk mitigations in place including policies and procedures, compliance checks, awareness raising and mandatory staff training. However, there is a residual risk arising from policies and procedures not being complied with and YPO being targeted by increasingly sophisticated fraudsters.

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**TITLE: DRAFT ANNUAL INTERNAL AUDIT PLAN 2026**

**REPORT OF: HEAD OF INTERNAL AUDIT AND COUNTER-FRAUD (WAKEFIELD COUNCIL)**

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## **1. PURPOSE OF REPORT**

- 1.1. The purpose of the report is to share the draft internal audit plan with the Audit and Governance Sub-Committee (the Committee) as part of the approval process. This will help to ensure that effective engagement has taken place throughout the planning process.

## **2. BACKGROUND INFORMATION**

- 2.1 The Global Internal Audit Standards (GIAS) require the Chief Audit Executive (Head of Internal Audit and Counter-Fraud 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 be based on a documented assessment of the organisation's strategies, objectives and risks and be informed by input from the board and senior management. This must take account of the requirement to produce an annual internal audit opinion.
- 2.2 In determining the 2026 Internal Audit Plan, and conforming to the GIAS requirements, the Head of Internal Audit and Counter-Fraud considers the following:
- The objectives and priorities of the organisation, as set out in the YPO strategic priorities for the five years from 2026 onwards.
  - Documented strategic risks and findings from the annual 'Risk in Focus' publication.
  - Previous internal audit work and findings.
  - Input from this Committee and other key stakeholders.
  - Any other sources of assurance that can be relied upon.
- 2.3 Section Three of this report provides positive assurance to this Sub-Committee that the process for setting the 2026 Internal Audit Plan conforms to the GIAS requirements.

### 3. PROCESS FOR SETTING THE DRAFT PLAN

#### Considering the Objectives and priorities of YPO

- 3.1 The strategic objectives of YPO for the five-year period from 2026 and beyond are as follows:
1. Become the Supplier of Choice for Members, Associates, and Strategic Partners.
  2. Accelerate Growth of YPO Limited Through Diversified Market Expansion.
  3. Protect and Expand Market Share in Core Product Categories.
  4. Embed Efficient Growth and Realise Tangible Benefits Across the Organisation.
- 3.2 Appendix A to this report sets out how the proposed audits link to these priorities.

#### Strategic Risks

- 3.3 A key document for planning purposes is the Strategic Risk Register, which is based upon a 4 x 4 risk matrix. This provides an overall risk score of between 1 (very low / minor) and 16 (very high / severe).
- 3.4 Table One provides a summary of the strategic risks which are currently (October 2025) rated as very high or high. It also includes links to any coverage over the last three years.

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

Risk Description (Reference)	Risk Rating	Assurance Coverage?	How
Cyber security threats (SRR018).	Very High (16)	Yes	YPO attained ISO27001 in June 2025.  The Cyber Security audit (Audit Plan 2025) provides coverage in this area.
Adequacy of the IT infrastructure (SRR05).	Very High (12)	Yes	ISO 27001 accreditation provides assurance, and digitalisation is covered in individual audits as required.  Business Update report to Management Committee in July 2025 gives positive assurance over IT system and staffing.  The Cyber Security audit (Audit Plan 2025) provides coverage in this area.
Business continuity (SRR09).	Very High (12)	No	This was last reviewed in 2020; an assurance opinion of moderate was provided.  Audit coverage is proposed for the 2026 plan.
Delivery of priorities through effective leadership (SRR019).	Very High (12)	Yes	Through the Non-Executive Director update reports.
Ability to fulfil customer orders via supply chain (SRR10).	High (9)	Yes	Some links through the: <ul style="list-style-type: none"> <li>• Business Updates.</li> <li>• Non-Executive Director Updates.</li> <li>• Internal Audit advisory work on the Warehouse Management System.</li> </ul>

Risk Description (Reference)	Risk Rating	Assurance Coverage?	How
			<ul style="list-style-type: none"> <li>Stock Control Audit reported in March 2025 gave Good/Substantial Assurance over controls and compliance.</li> <li>Audit in progress on customer engagement as part of the 2025 Audit Plan.</li> </ul>
Organisational capacity and resources (SRR11).	High (9)	Yes	<p>An audit is proposed on sickness management for the 2026 plan to provide coverage in this area.</p> <p>Audit coverage has been provided on People Strategy which reported a good opinion in May 2025.</p>
Underachievement of sales forecasts (SRR13).	High (9)	Yes	<p>Assurance through the proposed 'Budgetary Control' review (2024) and financial resilience review (2023).</p> <p>Also, via the Business Update to the Management Committee. A debtor's audit is proposed for 2026.</p>
Ability to respond to market changes (SRR16).	High (9)	Partial	<p>Some assurance coverage through:</p> <ul style="list-style-type: none"> <li>Non-Executive Director Updates.</li> <li>Business Update.</li> </ul>

3.5 Another useful source of risk information is the annual 'Risk in Focus' publication from the Institute of Internal Auditors (IIA). This is based upon feedback from heads of internal audit across the globe and Table Two details their perceived top 10 risks facing organisation's heading into 2026.

**Table Two: Top Ten Strategic Risks**

Ref	Risk Description	Comments / Other Sources of Assurance
1.	Cyber and data security.	See previous comments for Cyber Security Risk (Table One).
2.	Human capital, diversity, talent management, and retention.	Internal Audit has reviewed this area in 2023 and 2024.
3.	Digital disruption, new technology, and artificial intelligence.	<p>The following are useful sources of assurance for this risk area:</p> <ul style="list-style-type: none"> <li>Assurance report at the July 2024 meeting.</li> <li>Head of Technology assurance report (November 2023).</li> <li>Business Update reports.</li> </ul> <p>Internal Audit has also provided some advisory work in relation to the Warehouse Management System.</p>
4.	Changes in laws and regulations.	Some coverage through audits on adherence to legislation.
5.	Macroeconomic and geopolitical uncertainty.	The half-yearly Non-Executive Director updates are a useful source of assurance on inflationary challenges. This has included comments around the energy market.
6.	Business continuity and resilience.	<p>This area was identified as a potential gap in assurance therefore an audit is proposed for 2026.</p> <p>The last audit review was in 2020 and, other than the risk management updates, no further assurances for several years.</p>
7.	Market changes, competition, and changing consumer behaviour.	This area is also subject to some coverage via the half-yearly Non-Executive Director updates. The

Ref	Risk Description	Comments / Other Sources of Assurance
		customer engagement audit which is currently underway will also give assurance.
8.	Supply chain, outsourcing, and 'nth' party risks.	Ethical Trading audit completed in June 2025 gave good assurance in this area.
9.	Financial, liquidity, and insolvency risks.	YPO receives assurances on this through: <ul style="list-style-type: none"> <li>External Audit via the annual update and Audited Statement of Accounts).</li> <li>Business Updates to the Management Committee.</li> <li>Report of the Non-Executive Director.</li> <li>Internal Audit review of budgetary control (2024) and annual coverage of key financial systems.</li> </ul>
10.	Climate change, biodiversity, and environmental sustainability.	The following are useful sources of assurance: <ul style="list-style-type: none"> <li>Management report on this area to the July 2024 meeting.</li> </ul>

Previous Internal Audit Coverage

3.6 Since 2019, Internal Audit has used a rolling 3 Year Audit Plan to identify audit work to conduct each year. This is updated on an annual basis and aligned to the YPO Risk Register and current priorities / objectives. Table Three provides a summary of the work undertaken between 2023 and 2025.

**Table Three: Internal Audit Coverage 2023 to 2025**

Audit Area	2023	2024	2025
<b>Key Financial Systems</b>			
Asset Management (Follow-Up)		✓	
Budgetary Control		✓	
Creditors			✓
Debtors	✓		
Main Accounting System		✓	
Payroll	✓		✓
<b>Governance and Risk-Based Audits</b>			
Adherence to Legislation – Health and Safety	✓	✓	✓
Business Planning			✓
Customer Engagement			✓
Effectiveness of the Audit and Governance Sub-Group		✓	
Ethical Trading		✓	
Financial Resilience	✓		
Rebate Income			✓
Resourcing Workforce Development		✓	
Stock Control		✓	

Input from key stakeholders

3.7 A series of meetings were held with the Head of Finance and the Assistant Financial Controller to help in the development of the draft Plan.

3.8 This report provides an opportunity for all other key stakeholders to provide input into the Plan before it is finalised.

Other Sources of Assurance

3.9 In order to avoid duplication of effort, and maximise assurance levels, the planning process considers other sources of assurance. Table Two has already set out sources of assurance for the top ten risks in the IIA publication.

3.10 It is also noted that YPO undertook a review of its governance arrangements in 2022, the outcome of which was reported to the Management Committee in July 2022. This is another positive source of assurance for this Committee.

Draft Internal Audit Plan for 2026

3.11 The proposed Internal Audit Plan for 2026 is set out in Appendix A and a high-level summary is provided in Table Four.

**Table Four: Draft Internal Audit Plan 2026**

<b>Audit</b>	<b>Comments</b>	<b>Audit Days</b>
<b>Key Financial Systems (40 days)</b>		
Asset Management	To seek assurance that: <ul style="list-style-type: none"> <li>Assets are accurately recorded, safeguarded, and maintained in accordance with YPO's policies and procedures.</li> <li>Asset management practices support the achievement of strategic objectives and operational efficiency.</li> <li>Financial and operational information related to assets is reliable and complete.</li> <li>Asset lifecycle management (including acquisition, usage, maintenance, and disposal) complies with relevant laws, regulations, and contractual obligations.</li> <li>Risks associated with asset management are identified, monitored, and mitigated effectively.</li> </ul>	20
Debtors	The audit will seek to: <ul style="list-style-type: none"> <li>Assess the accuracy, completeness, and validity of debtor balances.</li> <li>Evaluate the effectiveness of internal controls over the debtor's process.</li> <li>Review compliance with YPO's credit policies and relevant financial regulations.</li> <li>Assess the adequacy of provisions for doubtful debts.</li> <li>Identify risks related to credit management and debt recovery</li> </ul>	20
<b>Risk-Based and Governance (60 Days)</b>		
Adherence to legislation – Health and Safety	This is an area of coverage each calendar year, the exact scope will be agreed.	15
Business Continuity Planning	To seek assurance that effective arrangements are in place to minimise the risks posed by business continuity issues.	15
Financial Resilience	To ensure that the financial resilience of YPO is sufficient to withstand changes in the market, whilst achieving projected levels of profit and dividend return to member authorities.	20
Sickness Absence Compliance Audit	To seek assurance that YPO are managing sickness absence in line with agreed policies to ensure that staff wellbeing is supported and absences are minimised.	15
<b>Follow-Up and Recommendation Tracking (10 Days)</b>		
Follow-Up Work	To monitor progress made in the implementation of high and medium priority audit recommendations.	10
<b>Consultancy (5 Days)</b>		
Counter-Fraud	Up to five days free advice, acting as a critical friend on the adequacy of counter-fraud arrangements.	N/A
<b>Contingency and Reporting (10 Days)</b>		
Contingency	This will include time for any additional work from the agreed audits and provision of ad hoc advice during 2025.	5
Liaison and reporting	Time for the preparation of the 2025 Internal Audit Plan, the annual assurance opinion, any meetings with senior management, the Audit and Governance Sub-Committee, and Management Committee.	5
<b>Total Internal Audit Days</b>		<b>125</b>

#### **4. CURRENT INTERNAL AUDIT PROFESSIONAL STANDARDS**

- 4.1 There is a current requirement for public sector internal audit functions to conform with the Global Internal Audit Standards (GIAS) which were shared with this Committee in November 2024.

#### **5. STRATEGIC IMPLICATIONS**

- 5.1 Section Two of this report details how the draft Plan has been developed, linking with the strategic objectives of the organisation for the five years from 2026 and the strategic risk register maintained by YPO.

#### **6. FINANCIAL IMPLICATIONS**

- 6.1 The annual cost for the provision of Internal Audit for YPO for 2025/26 was £50,167, this will be subject to any uplift in the Service Level Agreement.
- 6.2 The draft Plan also considers the need to provide the Chief Finance Officer (Wakefield Council) with independent assurance on the effectiveness and efficiency of controls for the main financial systems.

#### **7. LEGAL IMPLICATIONS**

- 7.1 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.
- 7.2 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.
- 7.3 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.

#### **8. EQUALITY IMPLICATIONS**

- 8.1 There are no equality implications.

#### **9. RISK IMPLICATIONS**

- 9.1 In line with the GIAS there is a requirement to set a risk-based internal 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.

**10. RECOMMENDATIONS**

- 10.1 The Audit and Governance Sub-Committee is asked to review and provide comments on the draft Internal Audit Plan for 2026, as set out in Table Four (Appendix A provides further detail).

**Contact Officer:**

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# **Draft Internal Audit Plan 2026**

**Table Six: Proposed Audits for 2026 Calendar Year**

Audit Area	Type of Audit	Brief Summary / High-Level Scope	Audit Days	Links to YPO Priorities	Links to YPO Risks
<b>Assurance Work for Wakefield Council’s Section 151 Officer (40 Days)</b>					
Asset Management	Key Financial Systems	To seek assurance that: <ul style="list-style-type: none"> <li>• Assets are accurately recorded, safeguarded, and maintained in accordance with YPO’s policies and procedures.</li> <li>• Asset management practices support the achievement of strategic objectives and operational efficiency.</li> <li>• Financial and operational information related to assets is reliable and complete.</li> <li>• Asset lifecycle management (including acquisition, usage, maintenance, and disposal) complies with relevant laws, regulations, and contractual obligations.</li> <li>• Risks associated with asset management are identified, monitored, and mitigated effectively.</li> </ul>	20	1, 3, 4	SRR05 SRR09 SRR017
Debtors	Key Financial System	The audit will seek to: <ul style="list-style-type: none"> <li>• Assess the accuracy, completeness, and validity of debtor balances.</li> <li>• Evaluate the effectiveness of internal controls over the debtor’s process.</li> <li>• Review compliance with YPO’s credit policies and relevant financial regulations.</li> <li>• Assess the adequacy of provisions for doubtful debts.</li> <li>• Identify risks related to credit management and debt recovery</li> </ul>	20	1, 3, 4	SRR003 SRR007 SRR017
<b>Consultancy Work (0 Chargeable Days)</b>					
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.	5 <sup>1</sup>	All	SRR017

<sup>1</sup> These days will not be included as part of the chargeable days for 2026.

Audit Area	Type of Audit	Brief Summary / High-Level Scope	Audit Days	Links to YPO Priorities	Links to YPO Risks
		Officers have suggested that they would appreciate support in refreshing the Anti-Fraud and Corruption Policy and the fraud risk assessment.			
<b>Governance and Risk-Based Work (60 Days)</b>					
Adherence to legislation – Health and Safety	Risk-Based	Precise scope to be agreed, past reviews have included: <ul style="list-style-type: none"> <li>• Training (2021).</li> <li>• Near Misses (2022).</li> <li>• Fire Risk Management (2023).</li> <li>• Food Safety (2024).</li> <li>• Use of Contractors (2025).</li> <li>• TBC (2026).</li> </ul>	15	1, 3, 4	SRR002 SRR012
Business Continuity Planning	Risk-Based	To seek assurance that effective arrangements are in place to minimise the risks posed by business continuity issues.	15	1, 3, 4	SRR009 SRR018 SRR005
Financial Resilience	Risk-Based	To ensure that the financial resilience of YPO is sufficient to withstand changes in the market, whilst achieving projected levels of profit and dividend return to member authorities.	20	All	SRR001 SRR003 SRR010 SRR011 SRR013
Sickness Absence Compliance Audit	Compliance	To seek assurance that YPO are managing sickness absence in line with agreed policies to ensure that staff wellbeing is supported and absences are minimised.	15	4	SRR019
<b>Follow-Up Reviews (10 Days)</b>					
Implementation of High and Medium Priority Audit Recommendations	Follow-Up	To monitor progress made in the implementation of high and medium priority audit recommendations.	10	All	Dependent upon the nature of the recommendations.
<b>Contingency Time (5 Days)</b>					
Contingency Time	N/A	Time set aside for new and emerging risks.	5	Dependent upon the nature of the work.	Dependent upon the nature of the work.

Audit Area	Type of Audit	Brief Summary / High-Level Scope	Audit Days	Links to YPO Priorities	Links to YPO Risks
<b>Liaison, Consultancy and Advice (5 Days)</b>					
Liaison, Consultancy and Advice	N/A	<p>Development of the 2025 Calendar Year Audit Plan and update of the rolling 3-Year Audit Plan.</p> <p>Drafting of update reports and the Annual Internal Audit Opinion Report for 2025.</p> <p>Travel to, and attendance at, relevant YPO Committee's (e.g., YPO Management Committee and YPO Audit Sub-Committee).</p> <p>Liaison as and when required.</p>	5	N/A	N/A
<b>Total (excluding 5 days non chargeable time)</b>			<b>125</b>		

**Key to strategic objectives:**

- 1. Become the Supplier of Choice for Members, Associates, and Strategic Partners.**
- 2. Accelerate Growth of YPO Limited Through Diversified Market Expansion.**
- 3. Protect and Expand Market Share in Core Product Categories.**
- 4. Embed Efficient Growth and Realise Tangible Benefits Across the Organisation.**

**Table Seven: Rolling Audit Plan from 2024 to 2026**

Audit Area	2024	2025	2026	Additional Comments
<b>Section 151 Assurance Work</b>				
Asset Management	✓		✓	The audit coverage in 2024 was a follow-up process of work from 2022 so a full audit is proposed for 2026.
Budgetary Control	✓			Good assurance was reported in 2025 over this area.
Creditors (including ordering).		✓		An audit is underway in 2025.
Debtors			✓	Due in 2026.
Main Accounting System.	✓			Good assurance was reported in 2024 over this area.
Payroll		✓		An audit is underway in 2025.
<b>Consultancy Work</b>				
Counter-fraud and Corruption Arrangements	✓	✓	✓	5 days consultancy service, at no cost to YPO.
<b>Governance and Risk Based Audit Work</b>				
Adherence to Legislation – Health and Safety	✓	✓	✓	Time will be made available in each year for a review of health and safety, and coverage has included: <ul style="list-style-type: none"> <li>• Training (2021).</li> <li>• Near Misses (2022).</li> <li>• Fire Risk Management (2023).</li> <li>• Food Safety (2024).</li> <li>• Use of Contractors (2025).</li> <li>• TBC (2026)</li> </ul>
Business Planning		✓		An audit is underway as part of the 2025 plan.
Sickness Management Compliance Audit			✓	Proposal to look at compliance with the sickness policy as part of the audit plan 2026.
Contractual Break Clauses				This was last reviewed in 2021 and was completed in two phases. An overall opinion of moderate assurance was provided for the strength of the control environment and good assurance for compliance.
Customer Engagement		✓		An audit is underway as part of the 2025 plan.
Data Quality				This was last reviewed in 2020. An opinion of good assurance for both the strength of the control environment and compliance.
Effectiveness of Committee and Officer Group Meetings	✓			This was reviewed in 2024 and reported in 2025. Good assurance was provided over compliance with recognised good practice.
Financial Resilience			✓	Consider as an area for 2026 audit coverage.
ICT Arrangements				Last formal review in 2020, although some coverage through the 'critical friend' role for the warehouse management system project.
Rebate Income		✓		An audit is underway as part of the 2025 plan.

Audit Area	2024	2025	2026	Additional Comments
Stock Control	✓			Good/Substantial assurance was provided in 2025.
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.
Business Continuity Planning			✓	Proposed for coverage in 2026 to gain assurance over this area as referenced in the 2025 audit plan document.
Cyber Security		✓		An audit is underway as part of the 2025 plan.
Workforce Development and Succession Planning	✓			Reviewed in 2024 and good assurance provided over implementation of recommendations arising from the review in 2023.
<b>Follow-up Reviews</b>				
Follow-up work	✓	✓		As required – a review will be completed of high and medium priority recommendations.
<b>Liaison, Consultancy and Advice</b>				
As appropriate	✓	✓		Attendance at Committees, reporting, liaison, and advice.

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