

Your Ref.

Our Ref

Please Reply To **Kathryn McGowan**

Telephone No (01924) 305338

Email kmcgowan@wakefield.gov.uk

Date 30 January 2013

To: Members of the YPO Joint Committee Audit Sub-Committee

Dear Member

YPO AUDIT SUB-COMMITTEE – FRIDAY, 8 FEBRUARY 2013

It is with pleasure that I write to invite you to attend a meeting of the YPO Joint Committee Audit Sub-Committee which is to be held at **10:00 am on Friday, 8 February 2013 in the YPO HQ, 41 Industrial Park, Wakefield** to consider the items set out in the agenda attached.

Yours sincerely



Joanne Roney OBE
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.

This agenda can be provided in large type, cassette, Braille or in another format or language if required. Please contact the person named above to discuss your requirement.

**YORKSHIRE PURCHASING ORGANISATION AUDIT SUB-COMMITTEE -
Friday, 8 February 2013**

AGENDA

1. Chair's Introduction and Welcome.
2. Acceptance of Apologies for Absence.
3. To approve, as a correct record, the Minutes of the meeting held on 19 October 2012. (Pages 1 - 4)
4. Members' Declaration of Interest.
5. To note any items which the Chairman has agreed to add to the agenda on the grounds of urgency.
6. External Audit Plan 2012. (Pages 5 - 6)
7. Pre-Audit Statement of Accounts. (Pages 7 - 54)
8. Annual Governance Statement. (Pages 55 - 92)
9. Internal Audit and Annual Report 2012. (Pages 93 - 104)
10. Risk Management Update. (Pages 105 - 106)
11. Exclusion of the Public and Press.
In relation to reports containing exempt information to consider and, if approved, pass the following resolution: -

"That the public and press be excluded from the meeting during consideration of agenda items 12 and 15 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. Risk Register. (Pages 107 - 120)
13. Internal Audit Action Update. (Pages 121 - 128)
14. Compliance with Legislation. (Pages 129 - 132)
15. Draft 2013 Internal Audit Plan. (Pages 133 - 142)
16. Date and Time of Next Meeting.
The next meeting of the YPO Audit Sub-Committee will be held on 26 April 2013 at 10.00am.

YORKSHIRE PURCHASING ORGANISATION AUDIT SUB-COMMITTEE**Friday, 19 October 2012**

Present: The Chair (Councillor Barnard – Barnsley MBC)
Councillors Keith (Knowsley MBC), Shaw (North Yorkshire CC) and Walker (Wigan)

9. CHAIR'S INTRODUCTION AND WELCOME

The Corporate Director welcomed everyone to the meeting and explained that the Chair was unable to attend the meeting. He, therefore, requested nominations. A nomination was received on behalf of Councillor Barnard (Barnsley MBC) and seconded.

Resolved – That in the absence of the Chair, Councillor Barnard (Barnsley MBC) be nominated as Chair.

10. APOLOGIES FOR ABSENCE

Apologies for absence submitted prior to the meeting were accepted on behalf of Councillor Sherrington (Bolton MB), Councillor Smith (Calderdale MBC), Councillor Stubley (Kirklees MC) and Councillor Shaw (Wakefield MDC).

11. MINUTES - 20 JULY 2012

Resolved – That the Minutes of the meeting of the Audit Sub-Committee held on 20 July 2012 be approved as a correct record.

12. MEMBERS' DECLARATION OF INTEREST

No declarations of interest were made.

13. INTERNAL AUDIT PROGRESS

A report of the s151 Officer provided details of Internal Audit performance and work during the period January to September 2012, attached as Appendix A. No Internal Audit reports had been issued since the last Internal Audit Progress Report discussed at the last meeting. Officers were confident that the plan would be achieved by the end of December.

In line with agreed protocols, a further progress report would be submitted to the next meeting of the Audit Sub-Committee.

Resolved – That the Internal Audit Progress Report, attached as Appendix A to the report, be endorsed.

14. RISK MANAGEMENT PROCESS

Consideration was given to a report detailing YPO's Risk Management Policy and Strategic Framework, attached as Appendix 1. Members were provided with assurances that work was progressing in managing and reviewing strategic and operational risk.

Resolved – That the report be noted.

15. INTERNAL AUDIT PLAN 2013

A report of the s151 Officer provided details of the steps which would be taken in producing the 2013 Draft Internal Audit Plan. An Internal Audit Plan template for 2013, which identified areas of potential audit activity, was attached as Appendix A.

The overall strategy for provision of the Internal Audit service was specified within the

**YORKSHIRE PURCHASING ORGANISATION AUDIT SUB-COMMITTEE - FRIDAY, 19
OCTOBER 2012**

Internal Audit Annual Strategic Plan, approved by Wakefield Council. The Internal Audit Annual Strategic Plan provided the basis for YPO annual planning. The YPO Annual Audit Plan detailed the individual audits to be undertaken within the overall strategy for the year ahead.

Each calendar year a risk based Annual Plan of audit work to be performed would be prepared by the Service Manager Internal Audit and Risk and submitted to the Director of Finance and Property and the Managing Director of YPO for approval. It would then be submitted to the YPO Board of Directors for ratification followed by presentation to the Audit Sub-Committee for comment and Management Committee for member approval.

Resolved – (1) That the Annual Audit Plan template for 2013 be noted and Members contact Internal Audit if they should have any specific areas of risk that they felt should be included in the 2013 Audit Plan.

16. YEAR END CLOSEDOWN TIMETABLE

Members gave consideration to a report of the Financial Accountant detailing the contents of the 2012 closedown timetable and External Audit plan.

2011 saw the first set of Accounts produced by the Organisation under IFRS. It was achieved with minimal errors in a significantly reduced time scale from previous statements. This report demonstrated the plans in place to achieve a similar rapid closedown and production of the 2012 statement and detailed the key dates in terms of production and approval of the statement. The Organisation would be adopting IFRS accounting in 2012 and planned to present the Audited statement of Accounts for approval to this Committee in April 2013.

It was explained to Members that the 2012 statement would involve KPMG as auditors post the de-commissioning of the Audit Commission. This would come into effect in November 2012. As such, the plan would be subject to agreement with KPMG.

Resolved – That the closedown timetable and audit plan be noted.

17. ROLE OF THE AUDIT SUB-COMMITTEE

Consideration was given to a report which captured the work undertaken to date with Members regarding the role of the Audit Sub-Committee and set out proposed activity going forward.

The Corporate Director gave a presentation on the YPO business model.

Members were also asked to consider the self-assessment checklist, attached as Appendix 1 to the report and the questionnaire, circulated at the meeting. The questionnaire listed questions suggested by CIPFA which Audit Committee Members should consider asking in order to gain necessary assurances relating to Governance and Risk Management activity.

Effective achievement of the Audit Committee function required each individual Member and the Committee collectively, to possess and/or develop the relevant knowledge and skills relating to each specific activity undertaken by the Committee.

It was suggested that Members complete the self-assessment checklist and return to

**YORKSHIRE PURCHASING ORGANISATION AUDIT SUB-COMMITTEE - FRIDAY, 19
OCTOBER 2012**

the Corporate Director in order that a structured learning and development programme could be prepared.

The Managing Director also updated Members on the Three Year Strategy and how it affected the work of the Audit Sub-Committee and the Audit Plan.

Resolved – That Members complete the individual knowledge/skills self-assessment and return to the Corporate Director of YPO. The Corporate Director of YPO would co-ordinate the completion by officers of the questionnaire circulated at the meeting. The content of all these documents would be used to inform production of future work programmes.

18. 2011 ANNUAL GOVERNANCE STATEMENT

A report of the Risk Audit and Assurance Officer provided an update as to the progress made towards implementing actions recorded within the Annual Governance Statement 2011.

Resolved – That the report be noted.

19. EXCLUSION OF THE PUBLIC AND PRESS

Resolved - That the public and press be excluded from the meeting during consideration of agenda items 13 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

20. ANNUAL GOVERNANCE UPDATE - INTERNAL CONTROL ASSURANCE STATEMENT 2011

Members considered a report of the Risk Audit and Assurance Officer which provided an update as to the progress made towards action from the Internal Control Assurance Statements.

Resolved – That the report be noted.

21. QUALITY ASSURANCE UPDATE

Consideration was given to a report of the Quality Assurance and Compliance Manager which provided Members with an update on the development of a Quality Management System.

A discussion took place regarding own brand products with Members being informed that a review was currently ongoing.

Resolved – That the report be noted.

22. RISK REGISTER

A report of the Risk Audit and Assurance Officer provided details of the Strategic Risk Register for YPO along with details of amendments made to the Operational and Strategic Risk Registers during quarter three of 2012.

Resolved – (1) That the YPO Strategic Risk Register be noted.

**YORKSHIRE PURCHASING ORGANISATION AUDIT SUB-COMMITTEE - FRIDAY, 19
OCTOBER 2012**

(2) That the amendments to the Operational Risk Registers made during the third quarter be noted.

23. INTERNAL AUDIT ACTION UPDATE Q3

Consideration was given to a report which provided an update as to the progress made towards agreed actions resulting from internal audits completed at YPO as part of the annual audit plan by Wakefield MDC Internal Audit.

The Corporate Director stated that very few actions were still outstanding and he congratulated the staff involved in achieving this.

Resolved – That the progress made in implementing internal audit actions, be noted.

24. DATE AND TIME OF NEXT MEETING

Resolved – That the next meeting of the YPO Audit Sub-Committee be held on 8 February 2013 at 10.00am.



**YPO
AUDIT SUB COMMITTEE**

**TO BE HELD ON
8TH FEBRUARY 2013**

TITLE: EXTERNAL AUDIT PLAN

REPORT OF: FINANCIAL ACCOUNTANT

(REPORT PREVIOUSLY SUBMITTED TO MANAGEMENT COMMITTEE)

1. PURPOSE OF REPORT

1.1 To present to members the 2012 external audit plan.

2. BACKGROUND INFORMATION

2.1 Attached at appendix A is the external audit plan for the 2012 statement of accounts and annual governance report.

2.2 Members attention is drawn to:-

- The definition of “those charged with governance” (section 3, page 8).
- The key risks identified (section 4, page 9).
- The audit deliverables and timeline (section 5, page 12).
- The audit fee and assumptions (section 5, page 14).

2.3 2012 sees KPMG appointed as auditors for the organisation and this is the first audit plan produced by them.

2.4 This report would under normal circumstances be agreed with the audit sub-committee however due to the transfer of the audit from audit commission to KPMG at the beginning of November 2012 the document could not be produced in time for October audit Sub Committee meeting.

3. STRATEGIC IMPLICATIONS

3.1 None.

4. FINANCIAL IMPLICATIONS

4.1 None.

5. LEGAL IMPLICATIONS

5.1 None.

6. EQUALITY IMPLICATIONS

6.1 None.

7. RISK IMPLICATIONS

7.1 None.

8. RECOMMENDATION

8.1 That members note and comment on the audit plan.

SERVICE DIRECTOR: IAN KNOWLES, CORPORATE DIRECTOR

CONTACT OFFICER: RON TAYLOR, FINANCIAL ACCOUNTANT

Yorkshire Purchasing Organisation
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 834819
E-mail address: ron.taylor@ypo.co.uk



**YPO
AUDIT SUB COMMITTEE**

**TO BE HELD ON
8TH FEBRUARY 2013**

**TITLE: PRESENTATION OF THE PRE AUDITED STATEMENT OF ACCOUNTS 2012
AND NOTICE OF THE PUBLIC INSPECTION PERIOD**

REPORT OF: THE CORPORATE DIRECTOR

1. PURPOSE OF REPORT

- 1.1. To present to Members' the 2012 pre audit statement of accounts (appendix 1) and to inform members of the public notice of the commencement of the audit and public inspection period (appendix 2).

2. BACKGROUND INFORMATION

- 2.1 The Pre Audit Statement of Accounts attached at appendix 1 is the first draft for member's consideration prior to the commencement of the audit and public inspection period. This document is subject to change during the course of the audit from either audit recommendation and / or where management deem more explanation may be appropriate.
- 2.2 Property valuations were received from NPS Ltd on the 4th of January 2013 and comply with the requirements of IFRS accounting.
- 2.3 Data for the completion of the IAS9 on pension funds notes and adjustments was received from the actuaries (AON Hewitt) on the 18th of January, and are incorporated in this statement.
- 2.4 The section 151 officer has been made aware of and consulted on the production of this statement.
- 2.5 The advert for the public inspection period (appendix 2) will be displayed on the Organisations website, intranet and the following publications.
 - Yorkshire Post
 - Liverpool Post (Merseyside/Cheshire)
 - Bolton Evening News
 - Wigan Observer
 - Leigh Midweek (was Leigh, Tyldesley & Atherton Journal)

3. STRATEGIC IMPLICATIONS

3.1. None.

4. FINANCIAL IMPLICATIONS

4.1. As specified.

5. LEGAL IMPLICATIONS

5.1. Completion of the Annual Statement of Accounts is requirement of the Accounts and Audit Regulations 2011.

6. EQUALITY IMPLICATIONS

6.1. None.

7. RISK IMPLICATIONS

7.1. This is to raise awareness of documents and the impending audit. Thus accepting the report does not in itself pose any risk to the organisations well-being.

8. RECOMMENDATION

8.1 Members note the completion of the pre audit statement for 2012 and its contents and approve the statement prior to audit and note the public notice of the commencement of the audit and public inspection period.

CONTACT DETAILS: Ian Knowles, Corporate Director

CONTACT OFFICER: Ron Taylor, Financial Accountant

Telephone No: 01924 834819

E-mail address: ron.taylor@ypo.co.uk

APPENDIX (CES):

Appendix 1 – 2012 Pre Audit Statement of Accounts

Appendix 2 – The public advert to appear in the press and on the website

YORKSHIRE PURCHASING ORGANISATION



PRE AUDIT STATEMENT OF ACCOUNTS 2012

CONTENTS

	<u>Page(s)</u>
Section 1 - Regulation and Introduction	
Auditors report	2
Foreword and Financial Summary by the Corporate Director	4
Statement of Responsibilities	7
Section 2 - Core Financial Statements and notes	
Movement in Reserves Statement	8
Comprehensive Income and Expenditure Statement	9
Balance Sheet	10
Cash Flow Statement	11
Notes to the Core Financial Statements	12
Section 3 - Additional information	
Glossary of Terms	31
Index of Notes	34
Section 4 - Appendix	
Annual Governance Statement	35

AUDITORS REPORT

This page will contain the auditors report in the audited statement

AUDITORS REPORT

Foreword and Financial Summary by the Corporate Director

1. INTRODUCTION

This document is the Statement of Accounts for the Yorkshire Purchasing Organisation. The Statement of Accounts shows the Organisation's financial performance for the year ended 31 December 2012. The foreword and financial summary provides a guide to the most significant matters in the financial statements.

The Yorkshire Purchasing Organisation (YPO) was established in 1974 to fulfil the supplies requirements of a number of local authorities. The enabling act for the organisation is the Local Authorities (Goods and Services) Act 1970 and its objectives are for the supply of goods and procurement of services to the public sector.

There are currently 13 founder member authorities and 24 associate member authorities of YPO, although the Organisation trades extensively outside the membership area. Management of the organisation reports periodically to a Management Committee of two elected members from each founder member authority.

The membership consists of:

Founder Member Authorities

Barnsley MBC	North Yorkshire CC
Bolton MBC	Rotherham MBC
City of Bradford MC	St Helens MBC
MB of Calderdale	City of Wakefield MDC
Doncaster MBC	Wigan MBC
Kirklees MC	City of York Council
Knowsley MBC	

Associate Member Authorities

first year of membership

Bury MBC	2011
Leeds City Council	2011
Durham CC	2011
Sheffield City Council	2011
Cumbria CC	2011
North Lincolnshire Council	2011
North East Lincolnshire Council	2011
South Yorkshire Police Authority	2012
West Yorkshire Police Authority	2012
South Yorkshire Fire and Civil Defence Authority	2012
West Yorkshire Fire and Civil Defence Authority	2012
Stockport MBC	2012
Cheshire East Council	2012
Rochdale MBC	2012
Trafford Council	2012
Warrington Borough Council	2012
East Riding of Yorkshire Council	2012
Hull City Council	2012
Blackpool Borough Council	2013
Manchester City Council	2013
Staffordshire CC	2013
Malvern Hills DC	2013
Wyre Forest DC	2013
Wiltshire Fire and Rescue Service	2013

Certain services, including legal, treasury and internal audit, are provided by City of Wakefield MDC in accordance with arrangements agreed by the Management Committee.

Associate membership allows for attendance at all committee meetings held in public but does not carry voting rights.

Foreword and Financial Summary by the Corporate Director

2. ACCOUNTABILITY AND FINANCIAL REPORTING

Local Authorities are governed by a rigorous structure of controls to provide stakeholders with the confidence that public money has been properly accounted for. As part of this process of accountability, the Organisation is required to produce a set of accounts in order to inform stakeholders that it has properly accounted for all public money it has received and spent and that its financial standing is on a secure footing.

3. THE CORE FINANCIAL STATEMENTS

The financial activity of the Organisation in relation to the service it provides is shown through a number of key financial statements and notes:

Core Statements

The Movement In Reserves Statement shows the movement in year on the different reserves held by the Organisation.

The Comprehensive Income and Expenditure Statement summarises the income and expenditure of the Organisation during the year.

The Balance Sheet shows the value as at the 31st of December 2012 of the assets and liabilities recognised by the Organisation. The net assets of the Organisation (assets less liabilities) are matched by the reserves held by the Organisation.

The Cash Flow Statement shows the changes in cash and cash equivalents of the Organisation during the reporting period. The statement shows how the Organisation generates and uses cash and cash equivalents by classifying cash flows between operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the Organisation are performing. Investing activities represent the extent to which cash inflows have been made for resources which are intended to contribute to the Organisation's future operations.

The Statement of Responsibilities for the Statement of Accounts sets out the respective responsibilities of the organisation and the Director of Finance and Property (WMDC) for the Statement of Accounts.

The Annual Governance Statement sets out the framework designed to ensure that the Organisation operates a sound system of internal control which facilitates the effective exercise of its operations, and which includes arrangements for the management of risk. Whilst it is not a requirement to be part of this Statement of Accounts it is attached to this statement to aid the user to better understand the governance arrangements in force within the Organisation.

4. FINANCIAL SUMMARY

The 2012 budget approved in December 2011 was for a turnover of £106.4m and a surplus of £7.2m, excluding any income for pensions interest or expenditure financed from earmarked reserves.

Sales for the year are £128.4m and the reported surplus on trading of £10.5m compares favourably with the revised target of £7.2m excluding any income for pensions interest or expenditure financed from earmarked reserves.

Invoiced turnover in 2012 was £128.4m, an increase of £19.9m (or 18.3%) compared with 2011 and in excess of the budget of £106.4m. Income from stock and framework contracts at £4.5m were below the budget of £5.0m largely due to the timing of take up on framework contracts. Sales in the year include £12m in respect of supporting the DFE in delivering the Phonics initiative into primary schools. This initiative is not expected to run beyond March 2013.

Trade debtors at £15.1m are higher than anticipated and include £2.1m in respect of match funding on the phonics project and as a result of the current economic climate. Debt owed by customers is similar to the closing position in 2012 which is a major achievement against a backdrop of an increase in sales of £20.0m.

The continued conversion to academy status within the core customer base has led to the Organisation substantially increasing its provision for bad debt in relation to debts prior to conversion to £0.232m.

During the year capital expenditure consisted of telephony equipment at a cost of £11k.

Operating costs for 2012 include £165k (£187k in 2011) for costs of consultancy work completed in year supporting the development of a comprehensive ICT strategy for the Organisation.

Foreword and Financial Summary by the Corporate Director

An agreed dividend distribution of £7.1m for the trading year 2011 was distributed in September 2012. This distribution as last year included all customers.

No acquisitions or discontinuation of operations were made during 2012.

5. RETIREMENT BENEFITS

The value of the organisation's retirement benefits liability as at 31 December 2012 was £23.4 million (31 December 2011 £15.8 million) this increase in liability is attributable to the change in assumptions as detailed in note 7. The actuaries advised that 2011 net pensions liability for funded pensions had increased by £0.62m, as a result of estimates being corrected as a result of experience the liability has increased by £6.6m as a result of updating the assumptions. The employer's contribution rate was 13.6% to April 2012 and then 12.9% for the remainder of the year (see note 7 to Core Financial Statements - Retirement Benefits).

6. SIGNIFICANT MATTERS

The budget submission for the 2012 financial year was given approval by the Management Committee at the meeting in November 2011. The budget was built on assumptions of strong growth in new markets and control of costs to bring operating cost to sales ratio down.

Growth has again been achieved in target areas despite the decline in the market sector as a whole. The efficiency gains in the stores operations has led to an increased level of throughput without significantly increasing costs.

A valuation of the Organisations Land and Buildings conducted as at the 31st December 2012 revealed a significant reduction in the value of the buildings held at both Warehouses. This was due to the continued lack of capital finance available in the market place leading to a surplus of large industrial premises in the Yorkshire area. The statement of Accounts reflects the reduction in value of £990k.

A dividend distribution of £7.1m declared in respect of the 2011 trading year, was distributed in September 2012. This included a non cash loyalty bonus of £1.8m payable to individual customers by way of a voucher to be used against future purchases of product. The balance of £5.7m in the cash flow statement represents the cash distribution and a distribution of unused vouchers issued in 2011.

7. MEDIUM TERM FINANCIAL STRATEGIES

The 2013 budget was approved by the Committee in November 2012 as year two of a three year strategy which was presented in full to the March 2012 committee. The three year strategy focuses on growth within a declining market by developing new markets and new offerings. The financial plan will support these developments while maintaining existing business by making cost efficient investments within the infrastructure and controlling inflationary factors where possible. Operating costs as a percentage of income are to be actively managed and brought down in a controlled manner this will ensure reductions in expenditure are sustainable for the future and incorporate necessary investment.

Ian Knowles FCCA
Corporate Director
xx April 2013

Statement of Responsibilities

THE ORGANISATION'S RESPONSIBILITIES

The Organisation is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Organisation that officer is the Director of Finance and Property of the servicing authority - Wakefield MDC. Day to day financial management is the responsibility of the Corporate Director YPO.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

THE RESPONSIBILITIES OF THE DIRECTOR OF FINANCE AND PROPERTY

The Director of Finance and Property, through the Corporate Director YPO, is responsible for the preparation of the Organisation's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the code).

In preparing this statement of accounts, the Corporate Director YPO has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Local Authority Code

The Corporate Director has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

THE DIRECTOR OF FINANCE AND PROPERTY'S CERTIFICATE

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Yorkshire Purchasing Organisation at 31 December 2012 and its Income and Expenditure for the year then ended.

.....
JUDITH BADGER CPFA

Director of Finance and Property, City of Wakefield MDC, XX April 2013

APPROVAL OF THE ACCOUNTS

As the Chair of the body considering the Yorkshire Purchasing Organisation's Statement of Accounts for 2012, I certify that the Accounts have been approved by the Management Committee and are authorised for issue.

.....
Cllr LES SHAW

Chairman YPO Audit Sub Committee, XX April 2013

MOVEMENT IN RESERVES STATEMENT

The Movement In Reserves Statement shows the movement in year on the different reserves held by the Organisation analysed into "unusable" (i.e. those that can not be applied to fund expenditure) and other reserves. The surplus (deficit) on Operations line shows the true economic cost of operational activity in the year, more details of which are shown in the Comprehensive Income and Expenditure Statement. The Net increase / (decrease) before transfer to Earmarked Reserves line shows the General Fund Balance prior to any discretionary transfers to or from earmarked reserves applied by the Organisation.

2011	£000's Cash reserves	£000's Cash reserves	£000's Cash reserves	£000's Accounting Reserves	£000's Accounting Reserves	£000's Accounting Reserves	£000's	£000's	£000's	Note
	General Fund Balance	Capital Receipt Reserve	Internal Investment Reserve	Joint Committee capital adjustment account	Earmarked Pension Reserve	Earmarked Accumulated absences account	Total other Reserves	unusable reserves	Total Reserves	
Balance as at 31 December 2010	19,210	56	-	13,003	(18,117)	(25)	14,127	879	15,006	
Movement in Reserves during 2011										
Surplus or (Deficit) on Provision of services	2,377	-	-	-	-	-	2,377	-	2,377	
Other Comprehensive Income	-	-	-	-	2,614	-	2,614	101	2,715	
Total Comprehensive Expenditure and Income	2,377	-	-	-	2,614	-	4,991	101	5,092	
Net Increase / (Decrease) before transfer to Earmarked Reserves	2,377	-	-	-	2,614	-	4,991	101	5,092	
Transfer (to) / from Earmarked Reserves	(1,539)	22	2,077	(173)	(339)	(20)	29	(29)	-	
Increase / (Decrease) in Movement in Year	839	22	2,077	(173)	2,275	(20)	5,020	72	5,092	
Balance as at 31 December 2011	20,049	78	2,077	12,830	(15,842)	(45)	19,147	951	20,098	13

2012	£000's Cash reserves	£000's Cash reserves	£000's Cash reserves	£000's Accounting Reserves	£000's Accounting Reserves	£000's Accounting Reserves	£000's	£000's	£000's	Note
	General Fund Balance	Capital Receipt Reserve	Internal Investment Reserve	Joint Committee capital adjustment account	Earmarked Pension Reserve	Earmarked Accumulated absences account	Total other Reserves	unusable reserves	Total Reserves	
Balance as at 31 December 2011	20,049	78	2,077	12,830	(15,842)	(45)	19,147	951	20,098	
Movement in Reserves during 2012										
Surplus or (Deficit) on Provision of services	3,772	-	-	-	-	-	3,772	-	3,772	
Other Comprehensive Income	-	-	-	-	(7,427)	-	(7,427)	(628)	(8,055)	
Total Comprehensive Expenditure and Income	3,772	-	-	-	(7,427)	-	(3,655)	(628)	(4,283)	
Net Increase / (Decrease) before transfer to Earmarked Reserves	3,772	-	-	-	(7,427)	-	(3,655)	(628)	(4,283)	
Transfer (to) / from Earmarked Reserves	(151)	7	1,121	(601)	(131)	6	251	(251)	0	
Increase / (Decrease) in Movement in Year	3,621	7	1,121	(601)	(7,558)	6	(3,404)	(879)	(4,283)	
Balance as at 31 December 2012	23,670	85	3,198	12,229	(23,400)	(39)	15,743	72	15,815	13

Comprehensive Income and Expenditure Statement

2011		2012	
<u>£'000</u>		<u>£'000</u>	<u>Note</u>
108,453	<i>Invoiced Turnover</i>	128,447	1(b),6
<u>(81,954)</u>	<i>Cost of Sales</i>	<u>(98,274)</u>	
26,499	<i>Gross Margin</i>	30,173	
200	Discounts	225	
4,134	Rebates	4,546	1(b),6
1,473	Other Income	1,778	1(b),6
<u>32,306</u>	<i>Gross Surplus</i>	<u>36,722</u>	
	<i>Operating Expenses</i>		
(12,482)	Employees	(12,803)	
(819)	Premises	(1,234)	
(4,452)	Supplies and Services	(4,575)	
(4,461)	Transport	(5,834)	
(181)	S.L.A. Costs	(113)	
(90)	Financial and Miscellaneous	(343)	
(756)	Depreciation and revaluation increase / (decrease)	(863)	1(e), 8
(455)	Pension service gain (cost) net of charges made to the general fund	(455)	1(h),7
<u>(23,696)</u>		<u>(26,220)</u>	
<u>8,610</u>	<i>Surplus / (deficit) on trading operations</i>	<u>10,502</u>	
	<i>Other Operating expenditure</i>		
22	Gain/(Loss) on Disposal of Property, Plant and Equipment	7	
<u>22</u>		<u>7</u>	
	<i>Financing and investment income and expenditure</i>		
116	Pensions Interest Cost and Expected Return on Pension Assets	324	1(h),7
31	Interest Receivable	38	
(6,402)	Dividend paid	(7,099)	
<u>(6,255)</u>		<u>(6,737)</u>	
<u>2,377</u>	<i>Surplus / (Deficit) on provision of service</i>	<u>3,772</u>	
	<i>Other Comprehensive income and expenditure</i>		
2,614	Actuarial gains / (losses) on pension assets / liabilities	(7,427)	
101	Gains / (losses) on revaluations of PPE and depreciation	(628)	
<u>2,715</u>		<u>(8,055)</u>	
<u>5,092</u>	<i>Total comprehensive Income and Expenditure</i>	<u>(4,283)</u>	

BALANCE SHEET

The Balance Sheet shows the value as at the 31st of December 2012 of the assets and liabilities recognised by the Organisation. The net assets of the Organisation (assets less liabilities) are matched by the reserves held by the Organisation.

31st Dec 2011 £'000		31st Dec 2012 £'000	Note
ASSETS AND LIABILITIES			
Long term Assets			
Property, plant and Equipment			
11,315	Land and Buildings	10,325	1(e), 8
1,790	Vehicles, Furniture & Equipment	1,300	1(e), 8
13,105	Total Long Term Assets	11,625	
Current Assets			
10,683	Inventories	10,095	1(m), 9
13,885	Short term debtors	15,116	1(u), 10
6,277	Cash and cash equivalents	10,269	
30,845	Total Current Assets	35,480	
Current Liabilities			
(8,010)	Short term creditors	(7,890)	1(v), 11
(8,010)	Total Current Liabilities	(7,890)	
22,835	Net Current Assets	27,590	
Long term Liabilities			
(15,842)	Liability relating to Defined Benefit Pension Scheme	(23,400)	1(h), 7
(15,842)	Total long term liabilities	(23,400)	
20,098	Net Assets	15,815	
Financed by:			
Usable Reserves			
20,049	General Fund	23,670	
78	Usable Capital Receipts Reserve	85	1(g), 13
2,077	Internal Investment Reserve	3,198	1(g), 13
12,830	Joint Committee Capital Adjustment Account	12,229	1(g), 13
(15,842)	Pension Reserve	(23,400)	1(h), 7, 13
(45)	Earmarked Accumulated Absences Account	(39)	1(g), 13
Unusable Reserves			
951	Revaluation Reserve	72	1(g), 13
20,098	Total Reserves	15,815	

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Organisation during the reporting period. The statement shows how the Organisation generates and uses cash and cash equivalents by classifying cash flows between operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the Organisation are performing. Investing activities represent the extent to which cash inflows have been made for resources which are intended to contribute to the Organisation's future operations.

2011 £'000		2012 £'000	Notes
<u>2,377</u>	Net surplus/(deficit) on the provision of service	<u>3,772</u>	
	Adjustment to the net surplus / (deficit) for non cash movements		
756	Depreciation and revaluation increase / (decrease)	863	1(e), 8
(1,016)	(Increase)/Decrease in Inventories	588	
(3,251)	(Increase)/Decrease in Debtors	(1,231)	
339	(Increase)/Decrease in Pension Liability	131	
1,564	Increase/(Decrease) in Creditors	(120)	
(774)	Redemption of loyalty vouchers	(1,119)	
<u>(2,382)</u>		<u>(888)</u>	
	Adjustments for items included in the net surplus / (deficit) that are financing / investing activities		
(22)	Proceeds from sale of PPE	(7)	
5,802	Dividend payment	6,851	
<u>5,780</u>		<u>6,844</u>	
<u>5,775</u>	Net cash flows from operating activities	<u>9,728</u>	
	Net cash flows from investing Activities		
(555)	Purchase of PPE	(11)	
22	Proceeds from sale of PPE	7	
<u>(533)</u>		<u>(4)</u>	
	Net cash flows from financing Activities		
(5,028)	Dividend paid to members	(5,732)	
<u>(5,028)</u>		<u>(5,732)</u>	
<u>214</u>	Net increase / (decrease) in cash and cash equivalents	<u>3,992</u>	
6,063	Cash and cash equivalents at the beginning of the reporting period	6,277	
<u>6,277</u>	Cash and cash equivalents at the end of the reporting period	<u>10,269</u>	

	Note on operating activities	
	The cash flows from operating activities include the following items	
31	Interest Receivable	38
<u>31</u>		<u>38</u>

Notes to the Core Financial Statements

The following notes provide more detailed information in order to assist understanding of the main financial statements.

1. STATEMENT OF ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Organisation is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS).

The Organisation recognises that the Comprehensive Income and Expenditure Statement does not fully comply with the Code of Practice by not including a service analysis. This is due to the Organisation being a single service business operation with no reliance on external funding, or having any direct impact on the finances of any member authority. Additionally the Organisation's status as a joint committee prevent it from taking advantages of certain statutory overrides contained within the code.

In this respect, certain aspects of the code are redundant. In each of these cases the Organisation has adopted policies which it believes present fairly the financial position of the Organisation.

The following policies have been adopted in compiling the accounts:

Fundamental Accounting Concepts:

- The accounts have been prepared on a historical cost basis, except that certain categories of assets are re-valued at regular intervals.
- The revenue and capital accounts are maintained on an accruals basis. This means that expenditure and income are recognised in the accounts in the period in which they are incurred or earned, not as money is paid or received. Income is also matched with associated costs and expenses as far as the relationship can be established or justifiably assumed.
- Consistent accounting policies have been applied both within the year and between years. Where accounting policies are changed, the reason and effect have been separately disclosed.
- Income has only been recognised within the accounts where there is a reasonable certainty, and proper allowances have been made for all foreseeable losses and liabilities.
- The accounts have been prepared on a going concern basis.
- The accounting statements have been prepared so as to reflect the reality or substance of the transactions and activities underlying them, rather than their formal legal character.
- As allowed under the Code the concept of materiality has been utilised in the process of preparing the accounts, such that insignificant items and fluctuations under an acceptable level of tolerance are permitted provided that in aggregate they would not affect the interpretation of the accounts by an informed reader.
- Where estimating techniques are required to enable the accounting practices adopted to be applied, the techniques which have been used are, in YPO's view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, where practical, the effect on the results for the current period are separately disclosed, note 4 to the core financial statements provides further details.
- In accordance with the Code, where an accounting treatment is prescribed by law, then it has been applied, even if it contradicts accounting standards or generally accepted accounting concepts.

a. ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular debtors and creditors for revenue and capital transactions are accrued, except for certain cases which are not considered material. For items of this nature, a consistent approach is adopted.

b. TURNOVER

Turnover is the value of invoiced sales during the year, adjusted for the value of deliveries prepared to 31 December for which invoices were not raised until January. Rebates refer to the value of commission earned on contractual activity in the year. Other income includes marketing support for catalogue production and promotion.

c. OVERHEADS

The Organisation is a single service entity and as such all overhead costs are included in the revenue account inclusive of accruals prepayments for the period to which they relate.

d. COMPONENTISATION OF NON CURRENT ASSETS

Non Current assets valued through the Organisation's 5 year programme of valuations are assessed for any significant components, where the value of the asset is greater than £1 million on revaluation. A significant component is an item with a value greater than 10% of the total asset value, and which has a different useful life to the rest of the asset. An exception to this is any specialist asset which the valuation officer may deem has a specialist component which should be recognised separately, where its useful life is significantly different from the remaining total asset.

Capital expenditure is monitored throughout the year and included in the budget and business planning process to identify replacement or changes of a significant component on non current assets.

The carrying value of any component being replaced will be charged to the revenue account as a disposal. This balance is then reversed out of the General Fund in the Movement in Reserves Statement and posted to the Joint Committee Capital Adjustment Account.

Notes to the Core Financial Statements

e. NON CURRENT ASSETS

- i) Expenditure on the acquisition, creation or enhancement of non current assets , with a value in excess of £5,000, is capitalised on an accruals basis, provided they have an estimated life in excess of one year. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits is charged as an expense when it is incurred. All expenditure on non current assets that is capitalised is recognised in the Organisation's Asset Register and Balance Sheet and depreciated over the useful life of the asset.
- ii) Non current assets are valued at purchase price plus any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- iii) Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from the fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified the accounting treatment is that the carrying amount of the asset is written down against any revaluation gain in the Revaluation Reserve or where there is no, or insufficient balance in the Revaluation Reserve the asset is written down against the Comprehensive Income and Expenditure Account.

The latest valuation date of land and buildings was 31 December 2012, and was carried out by J Duck FRICS of NPS Humber Ltd.

- iv) Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where an impairment of a non current asset has been recognised it is accounted for as a charge in the Comprehensive Income and Expenditure Statement where there is no or insufficient accumulated gains in the Revaluation Reserve against which all losses can be written off.

Where an impairment loss is reversed subsequently, the reversal is credited to the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

- v) Where a revaluation loss on a non current asset is recognised as part of a review or a valuation exercise it is accounted for as a charge against the Comprehensive Income and Expenditure Account where there is no or insufficient accumulated gains in the Revaluation Reserve which all losses can be written off.
- vi) When an asset is disposed of, or decommissioned, any gain or loss on the disposal is credited or charged to the Comprehensive Income and Expenditure Statement. The gain or loss is calculated by reference to the difference between the sale proceeds of the asset and the value of the asset in the balance sheet plus any material costs of disposal. Any revaluation gains in the Revaluation Reserve, relating to the asset disposed of, are transferred to the Joint Committee Capital Adjustment Account.

Receipts from disposals are credited to the Usable Capital Receipts Reserve and can be used for new capital investment. Receipts are appropriated to the Usable Capital Receipts Reserve from the Movement in Reserves Statement.

- vii) Depreciation has been provided for using the straight-line method on Buildings (excluding land), Vehicles and Equipment. The useful lives of the various assets held on the Asset Register are as follows:

Freehold Buildings	2012
41 Industrial Park	36 years
Flanshaw Way	31 years
Motor Vehicles	5 years
Warehouse and Office Equipment	5 years

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated with an amount equal to the difference between the current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Joint Committee Capital Adjustment Account.

f. INTANGIBLE FIXED ASSETS

Intangible fixed assets are assets that do not have any physical substance but which the Organisation controls access to the future economic benefits derived from them, either through custody or legal protection.

Expenditure on intangible assets is subject to the same recognition criteria as tangible fixed assets as stated in note d. Intangible assets will be brought on to the Balance Sheet at cost and amortised on a straight line basis over the period for which benefit is received. It is assumed there will be nil residual value. Annual reviews of the value of intangible fixed assets will be undertaken. The Balance Sheet as at 31 December 2012 does not include any intangible fixed assets.

g. RESERVES

The Organisation sets aside specific amounts as reserves for future purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure financed from a reserve is incurred, it is charged to the Consolidated Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement.

The Organisation differentiates between usable and unusable reserves on the basis contained within the Code however certain statutory overrides allowable by statute to Local Authorities and contained within the Code guidance are not available to a joint committee. Where this is the case the Organisation has voluntarily adopted the principles of the Code.

Notes to the Core Financial Statements

h. EMPLOYEE BENEFITS

The Organisation accounts for employee benefits in accordance with the requirements of IAS 19.

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non monetary benefits (e.g. cars) for current employees and are recognised as an expense in the year in which employees render service. An accrual is made for the cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at average salary rate. The accrual is charged to the Comprehensive Income and Expenditure Statement but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Organisation to terminate an officer's employment before the normal retirement date or an officers decision to accept voluntary redundancy and are charged on an accrual basis to the relevant line in the Comprehensive Income and Expenditure Statement.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Organisation to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Organisation are members of the Local Government Pensions Scheme known as the West Yorkshire Pension Fund and administered by Bradford Council. The scheme is a defined benefit scheme providing employees with a retirement lump sum and pension.

The Local Government Pension Scheme

The liabilities of the West Yorkshire Pension Fund attributable to the Organisation are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.4% on funded liabilities and 4.1% on unfunded liabilities (based on a weighted average of "spot yields" on AA rated corporate bonds).

The assets of West Yorkshire Pension Fund attributable to the Organisation are included in the Balance Sheet at their fair value:

- . quoted securities - current bid price
- . unquoted securities - professional estimate
- . unitised securities - current bid price
- . property - market value

the change in the net pensions liability is analysed into seven components:

Current service cost - the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement.

Past service cost - the increase / decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Comprehensive Income and Expenditure Statement.

Interest Cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid debited to the Comprehensive Income and Expenditure Statement

Expected return on Assets - the annual investment return on the fund assets attributable to the Organisation, based on the average of the expected long term return credited to the Comprehensive Income and Expenditure Statement.

Gains or losses on settlements and curtailments - the result of actions to relieve the Organisation of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Comprehensive Income and Expenditure Statement.

Actuarial Gains and Losses - Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve.

Contributions paid to the West Yorkshire Pension Fund - cash paid as employers contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the

Notes to the Core Financial Statements

Organisation to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash cash flows rather than as benefits earned by employees.

Discretionary Benefits

The Organisation has limited powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Scheme.

i. TAXATION

Local authorities are exempt from Income, Corporation and Capital Gains Taxes. Income and expenditure normally excludes amounts relating to Value Added Tax (VAT), as VAT collected is payable to HM Revenue and Customs and VAT paid is normally recoverable from them. Exceptionally, if VAT is irrecoverable it is charged to revenue expenditure or capital expenditure as appropriate.

j. EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

Any material exceptional or extraordinary items are separately disclosed in the accounts.

Material prior period adjustments arising from changes in accounting policies or from the correction of fundamental errors have been accounted for by restating the comparative figures in the financial statements and notes, together with the cumulative effect on reserves. The effect of material prior period adjustments is disclosed separately as a note to the Core Financial Statements.

k. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are reflected in the accounts up to the date when the Statement of Accounts was authorised for issue and are accounted for in accordance with IAS10.

Where an event arises which provides additional evidence relating to conditions existing at the Balance Sheet date, or which indicates that application of the going concern concept to the Organisation is not appropriate (an adjusting event), then adjustments have been made to the accounts, where the amounts are material.

Any material event, which concerns conditions that did not exist at the Balance Sheet date (a non-adjusting event), has been disclosed as a note to the Core Financial Statements. The note states the nature of the event and, where possible, an estimate of its financial effect.

l. INTEREST RECEIVABLE/PAYABLE

Bank interest is recognised in the Financial Statements during the period in which it became due for payment to or by the Organisation.

m. INVENTORIES

Inventories are valued at average cost, and shown in the accounts at the lower of cost or net realisable value.

n. LEASES

The Organisation accounts for leases in accordance with the requirements of IAS17.

YPO accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to YPO. Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding lease obligation (deferred liability). Fixed Assets held under finance leases are accounted for as part of Property, Plant and Equipment. No assets were held on finance leases as at 31st December 2012.

Rentals payable under operating leases are charged to revenue on a straight line basis over the term of the lease even if this does not match the pattern of payments (e.g. quarterly billing straddling an accounting period).

o. CONTINGENT LIABILITIES

Contingent liabilities are not accrued in the accounting statements. Material contingent liabilities are identified in a note to the core financial statements if there is a possible obligation, which may require a payment or transfer of economic benefits.

p. PROVISIONS

Provisions are recognised in the accounts in accordance with IAS 37, where:

- i) The Organisation has a present obligation (legal or constructive) as a result of a past event,
- ii) It is probable that a transfer of economic benefits will be required to settle the obligation, but the timing of the transfer is uncertain; and
- iii) A reliable estimate can be made of the amount of the obligation.

Contributions to provisions are charged to the appropriate revenue account and any subsequent expenditure arising, to which the provision relates, is charged to the provision. The level of each provision is reviewed at the year end and, if appropriate, adjusted by reversing the contribution to the provision and crediting the relevant revenue account.

Provisions are classified as long term (in excess of twelve months) and short term (less than twelve months).

Notes to the Core Financial Statements

q. FINANCIAL INSTRUMENTS

The Organisation's financial instruments are represented by bank balances, inventories, trade creditors and trade debtors.

Bank balances are represented by cash balances held in UK bank accounts and are shown on the face of the Balance Sheet. Interest earned on balances are credited to the Comprehensive Income and Expenditure Statement.

Inventories are valued at average cost, and shown in the Balance Sheet at the lower of cost or net realisable value. Adequate measures are taken by the Organisation to minimise losses to inventory items through delivery processing, damage, obsolescence and security issues.

Trade debtors are stated in the Balance Sheet at historical cost. Irrecoverable debt is written off in the Comprehensive Income and Expenditure Statement. The Organisation is restricted to dealing with customers in the Public Sector and therefore its exposure to bad debt is minimised.

Trade Creditors are carried at historical cost and represent amounts owing to third party suppliers. Creditor accounts are settled on a cash basis when:-

- . satisfactory provision of the goods or service has been performed
- . there is reasonable evidence that the goods or service is imminent or substantially complete
- . an agreed contractual obligation exists to remit payment.

The Organisation has developed a global sourcing programme leading to increased trade with non euro zone suppliers. Every reasonable action to minimise the risk associated with sourcing product from non UK based suppliers has been taken.

r. ESTIMATION TECHNIQUES

This statement of accounts includes estimated figures for income due from suppliers in respect of marketing contributions and rebates earned on contractual business. The estimations are based on a prudent approach utilising prevailing market conditions, historical knowledge and contracted agreements.

Additionally estimates are included on valuations of certain elements of property, plant and equipment, stock and the pension fund. These estimates are provided by third parties holding relevant professional qualifications and are disclosed in the relevant notes to these accounts.

s. CASH & CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are deposits that are readily convertible to known amounts of cash with insignificant risk of change in value.

t. FOREIGN CURRENCY TRANSLATION

Where business transactions are processed in a currency other than Sterling the Sterling value at the point of the currency translation has been used. Where the amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate as at the 31 December. Resulting gains or losses are recognised in the Comprehensive Income and Expenditure Statement.

u. DEBTORS

Debtors are represented by balances due to the Organisation on trading activities net of a provision for bad or doubtful debt. They are stated at historical cost

v. CREDITORS

Creditors are represented by balances owed by the Organisation on trading activities they are stated at historical cost. Creditor amounts due in foreign currencies at the end of the accounting period are re-stated on the prevalent conversion rate as at 31st of December.

w. IMPACT OF ACCOUNTING STANDARDS ADOPTED SINCE THE LAST ACCOUNTING PERIOD

During 2012 the following accounting standards came into force:-

FRS 30 a heritage asset is defined as an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. The Organisation held no such assets as at the 31 December.

IFRS 7 was amended and changes the way in which credit risk associated with financial instruments is accounted for and disclosed YPO's exposure to credit risk associated to financial instruments is negligible as the fair value used equates to the actual cash value and is not subject to collateral change due to risk.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

The Code of Practice on Local Authority Accounting 2011/12 requires the Organisation to disclose information relating to the impact on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Organisation. The following new standards are due to come into force in the next accounting period:-

IFRS 10 Consolidated Financial Statements.

IFRS 11 Joint Arrangements.

IFRS 12 Fair Value Measurement.

The Organisation does not expect any significant changes in regards to the above standards however they will be fully assessed and adopted where necessary in the 2013 Statement of Accounts.

Notes to the Core Financial Statements

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying these accounting policies the Organisation has made certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are :

Leasing

The Organisation has reviewed all classes of leases held by the Organisation and concluded that all of these leases constitute operating leases and therefore have no impact on the re-statement to an IFRS basis of accounting.

Related Party Transactions

The Organisation trades extensively with its owning authorities however, as no one particular authority can exert any controlling influence over the Organisation and all transactions are on an arms length basis they are not classified as related parties in this statement of accounts. For clarity trading with member authorities is included under note 16 of this statement.

Asset ownership

Under s102 of the Local Government Act 1972, a Joint Committee does not have the corporate status to acquire assets. However, given that YPO both enjoys the economic benefits from and assumes liabilities for its land and building assets, the "substance over form" policy justifies the inclusion of the assets in the Organisation's accounts.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on either assumptions made by the Organisation about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Items included in this Statement of Accounts for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, expected returns on pension assets and the discount rates used bring future assumptions to present values. A firm of consulting actuaries is engaged to provide the Organisation with expert advice about the assumptions to be applied.

These assumptions interact in complex ways and could produce a range of different results depending on the mix of changes in assumptions. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of around £6.66m.

Framework Contract Income

This statement of accounts includes an estimate of income due to the Organisation from suppliers operating on the Organisation's framework contracts as at 31st of December. This estimate is on the basis described in note 1 (point r).

Whilst every effort is made by the Organisation to accurately forecast balances due to the Organisation as at the year end, there is a risk that returns on these contracts may either exceed or be less than the estimate made at the date of the closure of the accounts. The impact on the statements in the following year will be dependent on the mix of positive and negative variances against estimates. If the estimate of income due was to be different by 5% this would represent a movement of around £50K.

PROPERTY, PLANT AND EQUIPMENT

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.

The Organisation takes independent advice on the valuation of buildings and believes the depreciation policies adopted accurately reflect the current market value of assets held, however there is a risk that any sale value will be very much dependent on the economic climate at the point of sale. At the year end the Organisation was not intending disposing of any major assets.

Foreign currency transactions

Transactions in foreign currencies are recorded in the statement of accounts in sterling using the spot exchange rate on recognition of the liability.

Goods in transit from an overseas source are included in this statement of accounts valued at the spot rate as at the 31st of December and any exchange rate difference arising on the actual payment will be accounted for in the income and expenditure account.

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

During 2012 there have been several items of material income and expenditure that have been reflected in this statement of accounts, the main ones are;

Invoiced turnover in 2012 was £128.4m, an increase of £19.9m (or 18.3%) compared with 2011 and in excess of the forecast of £106.4m. This figure included £12m from supporting the DFE in the deliverance of the Phonics initiative into primary schools.

An agreed dividend distribution of £7.1m for the trading year 2011 was distributed in September 2012. This distribution included all customers. As at the 31st of December there was a balance of £431k of loyalty vouchers unredeemed.

Notes to the Core Financial Statements

6. TURNOVER

Turnover is the VAT exclusive value of invoiced sales for goods supplied from stock and by 'direct supply' arrangements. See also Statement of Accounting Policies note 1(b). Commission income from framework contracts arranged by the Organisation for customers is shown as Rebates. Supplier contributions for marketing support, canteen sales and other non-trading income are shown in Other Income.

7. RETIREMENT BENEFITS

Participation in pension schemes

As part of the terms and conditions of employment of its officers and other employees, YPO offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Organisation has a commitment to disclose the payments as at the time that officers and employees earn their future entitlement.

The Organisation participates in the West Yorkshire Pension Fund (WYPF) which is a funded defined salary scheme, into which staff and the Organisation, pay contributions at a level predetermined by the actuary. The employers contribution rate set by the actuary (12.9% from April 2012, 13.6% January to March) is intended to balance the pensions liabilities with the investment asset over a period. The latest actuarial valuation of the funded scheme (triennial) was as at March 2010 which set the employers rate from April 2012 as 12.9% and 12.3% from April 2013 with an estimated recovery period of 22 years. Employer contributions in the year totalled £1,203,475 (2011: £1,346,100).

The latest actuarial valuation of the unfunded scheme was as at December 2012. Liabilities have been estimated on an actuarial basis using the projected unit credit method. The principal assumptions used are set out in this note.

In addition, the Organisation is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2012 this amounted to £177,321 (2011: £140,333).

The Organisation is required to recognise the cost of retirement benefits when employees earn them, rather than when they are actually paid to pensioners. However the charge made against the general fund balance is limited to the employer's contributions payable to the Pensions Fund in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Statement of Movement in Reserves Statement during the year.

The actual return on assets to the period ended 31st December 2012 was £3.535m and comprised an expected return on assets of £3,608m and an actuarial loss of £0.073m.

The Employers regular contributions to the pension fund for the accounting period to 31st December 2012 are estimated to be £1.203m funded and £0.177m unfunded.

Post retirement mortality assumptions as at 31st December applicable to funded and unfunded pensions

Rating to above base table
Scaling to above base table rates
Cohort improvement factors
Minimum underpin to improvement factors
Future lifetime from age 65 (currently aged 65)
Future lifetime from age 65 (currently aged 45)

Males		Females	
2011	2012	2011	2012
0	0	0	0
105%	105%	105%	105%
CMI 2009	CMI 2009	CMI 2009	CMI 2009
1.25%	1.25%	1.25%	1.25%
21.9	22.0	24	24.1
23.7	23.8	26	26.1

Comprehensive Income and Expenditure Account Cost of Service

Current Service Cost
Past Service (Gain)/Cost
Curtailment (Gain)/Loss

Financing and investment income and Expenditure

Expected return on Assets
Interest on pension Liabilities

Total Post Employment Benefit Charged to the surplus or Deficit on the Provision of Services

Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement

Actuarial (gains) / Loss

Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement

Movement in Reserves Statement

Reversal of net charges made to the comprehensive
Income and Expenditure account for post employment
benefits in accordance with the Code

Actual amount charged against the General Fund balance for
pensions in the year:

- employer's contributions to the pension scheme
- retirement benefits payable to pensioners

Total Charge against the General fund

Funded	Unfunded	Funded	Unfunded	Total	Total
2011	2011	2012	2012	2011	2012
£'000	£'000	£'000	£'000	£'000	£'000
1,765	-	1,807	-	1,765	1,807
20	-	28	-	20	28
-	-	-	-	-	-
(3,918)	-	(3,608)	-	(3,918)	(3,608)
3,754	48	3,245	39	3,802	3,284
1,621	48	1,472	39	1,669	1,511
(2,608)	(6)	7,321	106	(2,614)	7,427
(987)	42	8,793	145	(945)	8,938
(1,621)	(48)	(1,472)	(39)	(1,669)	(1,511)
1,190	-	1,203	-	1,190	1,203
-	140	-	177	-	177
(431)	92	(269)	138	(339)	(131)

Notes to the Core Financial Statements

Assets and Liabilities in relation to Post-employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Funded Liabilities		Unfunded Liabilities	
	2011 £'000	2012 £'000	2011 £'000	2012 £'000
Balance at 1st January	(70,801)	(68,874)	(912)	(888)
Current Service Cost	(1,765)	(1,807)	-	-
Interest Cost	(3,754)	(3,245)	(48)	(39)
Contributions by scheme participants	(557)	(588)	-	-
Actuarial gains and losses	5,751	(7,220)	6	(106)
Benefits paid	2,272	2,066	66	67
Past service costs and curtailments	(20)	(28)	-	-
Balance at 31st December	(68,874)	(79,696)	(888)	(966)

The unfunded liabilities do not have assets in the scheme to support them. Below is a breakdown of scheme assets in relation to the funded liabilities.

Reconciliation of Fair Value of the Scheme Assets

	2011 £'000	2012 £'000
Balance at 1st January	53,596	53,920
Expected return on assets	3,918	3,608
Actuarial gains and losses	(3,225)	(73)
Employer contributions	1,346	1,285
Contributions by scheme participants	557	588
Benefits paid	(2,272)	(2,066)
Balance at 31st December	53,920	57,262

The Organisation's pension fund actuary employs a building block approach in determining the rate of return on fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on each asset is then derived by aggregating the expected return for each asset class over the actual asset allocation for the fund at 31 December 2012.

Scheme History

	2008 £000s	2009 £000s	2010 £000s	2011 £000s	2012 £000s
Fair value of assets	40,384	47,296	53,596	53,920	57,262
Present value of liabilities	(48,925)	(72,371)	(71,713)	(69,762)	(80,662)
Total	(8,541)	(25,075)	(18,117)	(15,842)	(23,400)

The liabilities show the underlying commitment that the Organisation has in the long run to pay post employment / retirement benefits. The total liability of £23,400k has a substantial impact on the net worth of the organisation as recorded in the balance sheet, resulting in the overall balance being reduced by £7,558k. However arrangements for funding the deficit mean that the financial position of the organisation remains healthy.

- The deficit on the scheme will be made good by contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The contributions expected to be made by the Organisation to the Local Government Pension Scheme in the year to 31st December 2013 are £1.57m. In addition, contributions towards the unfunded obligations will be required. Expected contributions for the discretionary benefits in the year to 31st December 2013 are £0.69m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates and salary levels. The scheme has been assessed by Hewitt Associates Limited, an independent firm of actuaries. Estimates for the fund have been based on the latest full valuation of the funded scheme as at the 31st March 2010 and the unfunded scheme as at 31st December 2012.

Notes to the Core Financial Statements

The principal assumptions used by the actuary have been:

Financial Assumptions used in estimating assets and liabilities:

Long-term expected rate of return on assets in the scheme

Equity investments
Property
Bonds
Other assets

Mortality assumptions

Longevity at 65 for future pensioners
Men
Women
Longevity at 65 for current pensioners
Men
Women

Duration of Liabilities (in years)

Rate of Inflation (RPI)

Rate of Inflation (CPI)

Rate of Increase in Salaries

Rate of Increase in Deferred Pensions

Rate of Increase in Pensions

Rate for discounting scheme liabilities

Take-up of option to convert annual pension into retirement lump sum

Funded element		Unfunded element	
2011	2012	2011	2012
7.80%	7.70%		
7.30%	7.20%		
3.10%	2.83%		
6.24%	5.00%		
23.7 years	23.8 years		
26 years	26.1 years		
21.9 years	22.0 years	21.9 years	22.0 years
24 years	24.1 years	24 years	24.1 years
17.5	17.5	12	12
3.20%	3.20%	3.10%	3.00%
2.20%	2.50%	2.10%	2.30%
4.70%	4.70%	-	-
2.20%	2.50%	-	-
2.20%	2.50%	2.10%	2.30%
4.70%	4.40%	4.60%	4.10%
50-75%	50-75%		

The discretionary benefits arrangements have no assets to cover liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Equity investments
Property
Bonds
Other assets
TOTAL

Assets held	
2011	2012
%	%
69.30%	70.20%
3.90%	3.50%
18.70%	18.20%
8.10%	8.10%
100.0%	100.0%

History of experience gains and losses

The actuarial gains identified as movements on the pensions reserve in 2012 can be analysed into the following categories, measured as a percentage of the assets or liabilities as at the 31st December 2012.

Differences between the expected and actual return on assets

Experience gains and losses on liabilities

2008	2009	2010	2011	2012
%	%	%	%	%
29.1	9.3	6.6	(6.0)	(0.1)
22.9	9.9	1.3	4.7	(0.8)

Notes to the Core Financial Statements

8. Property Plant and Equipment

As at 31 December 2012, the Organisation held the following assets

Property plant and equipment were predominantly represented by 47 Delivery vehicles (2011 = 47), 98 Container units (2011 = 98) and Land and Buildings comprising of one general supplies warehouse and office complex located at 41 Industrial Park, Wakefield and one located at Flanshaw Way, Wakefield (no change from 2011).

Property Plant and Equipment

Cost or valuation

Opening balance 1 January 2012
Acc depreciation write out to gross carrying amount
Revaluation increase / (decrease) recognised in the Revaluation Reserve
Revaluation increase / (decrease) recognised in the I&E
Additions
Impairment
Disposals

At 31 December 2012

Depreciation and impairments

Opening balance 1 January 2012
Charge for depreciation 2012
Disposals
Impairment
Revaluation

At 31 December 2012

Net Book Value at 31 December 2012

Net Book Value at 1 January 2011

Land & Buildings £'000	Furniture & Equipment £'000	Vehicles £'000	TOTAL £'000
11,315	1,149	3,036	15,500
(265)			(265)
(628)			(628)
(97)			(97)
	11		11
10,325	1,160	3,036	14,521
0	822	1,573	2,395
265	90	411	766
(265)			(265)
0	912	1,984	2,896
10,325	248	1,052	11,625
11,315	327	1,463	13,105

2011 Comparative

Property Plant and Equipment

Cost or valuation

Opening balance 1 January 2011
Acc depreciation write out to gross carrying amount
Revaluation increase / (decrease) recognised in the Revaluation Reserve
Revaluation increase / (decrease) recognised in the I&E
Additions
Impairment
Disposals

At 31 December 2011

Depreciation and impairments

Opening balance 1 January 2011
Charge for depreciation 2011
Disposals
Impairment
Revaluation

At 31 December 2011

Net Book Value at 31 December 2011

Net Book Value at 1 January 2010

Land & Buildings £'000	Furniture & Equipment £'000	Vehicles £'000	TOTAL £'000
11,550	1,083	2,993	15,626
(345)	-	-	(345)
101	-	-	101
9	-	-	9
-	66	489	555
-	-	-	-
-	-	(446)	(446)
11,315	1,149	3,036	15,500
-	737	1,683	2,420
345	85	336	766
-	-	(446)	(446)
-	-	-	-
(345)	-	-	(345)
0	822	1,573	2,395
11,315	327	1,463	13,105
11,560	110	656	12,326

Notes to the Core Financial Statements

9. Inventories

31st Dec 2012	Warehouse Stock £000's	Packing and Materials £000's	Total £000's
Opening inventory balance	10,640	43	10,683
Purchases	61,862	400	62,262
Recognised as an expense in year	(62,428)	(372)	(62,800)
Stock write downs in the year	-	-	-
Reversals of write offs in previous years	-	-	-
Provision for stock write off	(50)	-	(50)
Closing Inventory balance	10,024	71	10,095

31st Dec 2011	Warehouse Stock £000's	Packing and Materials £000's	Total £000's
Opening inventory balance	9,632	35	9,667
Purchases	58,408	338	58,746
Recognised as an expense in year	(57,370)	(330)	(57,700)
Stock write downs in the year	-	-	-
Reversals of write offs in previous years	-	-	-
Provision for stock write off	(30)	-	(30)
Closing Inventory balance	10,640	43	10,683

10. DEBTORS AND PAYMENTS IN ADVANCE

Debtors represent monies owed to the Organisation at the Balance Sheet date, which are yet to be received as cash. The Organisation also makes provision for outstanding monies that it is anticipated will not be recovered.

	31st Dec 2011 £'000	31st Dec 2012 £'000
Trade Debtors	10,900	12,099
Accumulated Absences	3	4
Less - Provision for Bad Debts	(14)	(232)
	10,889	11,871
Payments in Advance and accrued income	2,996	3,245
Total	13,885	15,116

Debtors are analysed by the following categories

Trade debtors

central government bodies
other local authorities
NHS bodies
public corporations and trading funds
bodies external to general government (i.e. all other bodies).

31st Dec 2011 £'000	31st Dec 2012 £'000
640	2,114
9,450	9,275
41	29
-	-
769	681
10,900	12,099

Payments in advance and accrued income

central government bodies
other local authorities
NHS bodies
public corporations and trading funds
bodies external to general government (i.e. all other bodies).

-	-
-	-
-	-
-	-
2,996	3,245
2,996	3,245

Notes to the Core Financial Statements

11. CREDITORS AND RECEIPTS IN ADVANCE

Creditors represent monies owed by the Organisation at the Balance Sheet date, which have not yet been paid.

Creditors and Receipts in Advance

Trade Creditors
Accruals
VAT
Accumulated absences

Total

31st Dec 2011 £'000	31st Dec 2012 £'000
5,418	4,459
2,233	2,536
311	852
48	43
8,010	7,890

Creditors are analysed by the following categories

Trade creditors

central government bodies
other local authorities
NHS bodies
public corporations and trading funds
bodies external to general government (i.e. all other bodies).

31st Dec 2011 £'000	31st Dec 2012 £'000
-	-
66	42
-	-
4	-
5,348	4,417
5,418	4,459

Accruals/VAT

central government bodies
other local authorities
NHS bodies
public corporations and trading funds
bodies external to general government (i.e. all other bodies).

312	852
1,327	806
-	-
24	-
881	1,730
2,544	3,388

Long Term Liabilities

Liability relating to Defined Benefit Pension Scheme

Total

31st Dec £'000	31st Dec 2012 £'000
15,842	23,400
15,842	23,400

12. RISK TO FINANCIAL INSTRUMENTS

The organisation's financial instruments are represented by bank balances, trade creditors and trade debtors, certain risks are associated with these classes of cash and cash equivalents as follows.

Bank balances are held in UK bank accounts and earn interest based on aggregated overnight investments rates managed by the treasury function of Wakefield Metropolitan District Council (WMDC). Risks to cash arise in the form of banking failures either within the UK or on overseas overnight investments.

Creditors are suppliers of goods and services to the organisation. Risk is minimised from a robust set of procedures to ensure that all goods and services supplied to the organisation are properly ordered and received prior to the payment of any sums due.

Debtors are comprised of customers and some trade suppliers owing funds to the organisation. The inherent risk is one of failure to settle outstanding debts due to bankruptcy or other financial problems. Most customers are within the public sector which mitigates this risk to a large extent.

At the end of the financial year the Organisation was at increased risk over debtors due to changes in the economic climate chiefly brought about by the impact of the governments comprehensive review on the organisations customer base and the change in education from state to academy status schools. Debtors past due but not impaired are as follows :-

	2011 £'000	2012 £'000
Two to six months	1,106	2,326
Six months to one year	866	532
More than one year	769	618
Total	2,741	3,476

Notes to the Core Financial Statements

13. MOVEMENTS IN RESERVES

The General Fund Reserve represents the cumulative retained surplus built up over the life of the business. The General Fund Reserve is used to finance growth in working capital and supports the medium term plans of the business.

The table below shows the balances held in other reserves at the start and end of the year and the net movement in the year. The balances represent undistributed reserves payable to the member authorities.

Reserve	31st Dec 2011	31st Dec 2012	Net Movement	Note
	£'000	£'000	in the Year £'000	
<u>Usable reserves</u>				
General Fund Balance	20,049	23,670	3,621	i
Capital Receipts Reserve	78	85	7	ii
Internal Investment Reserve	2,077	3,198	1,121	iii
Joint Committee Capital Adjustment Account	12,830	12,229	(601)	iv
Earmarked Pension reserve	(15,842)	(23,400)	(7,558)	v
Earmarked Accumulated Absences Account	(45)	(39)	6	vi
<u>Unusable reserves</u>				
Revaluation reserve	951	72	(879)	vii
Total reserves	20,098	15,815	(4,283)	

(i) The General Fund Balance represents the accumulated operating surplus of the Organisation and are maintained at a prudent level. to protect the Organisation against unforeseen events and the realisation of contingent liabilities.

	2011 £'000	2012 £'000
General fund balance		
Balance brought Forward 1st of January	19,210	20,049
Surplus or deficit on operations	2,377	3,772
Total comprehensive income and expenditure	2,377	3,772
Depreciation and impairment	766	766
Revaluation losses (gains)	(9)	97
Capital expenditure charged to the GF	(555)	(11)
Transfer of cash sale proceeds	(22)	(7)
Use of UCRR to fund capital expenditure	-	-
Reversal of IAS 19 charges to I&E	1,669	1,511
Employer's pension contributions	(1,330)	(1,380)
Movement in employee absence accrual	20	(6)
Total voluntary adjustments	539	970
Pension Contribution Reserve	-	-
Internal Investment Reserve	(2,077)	(1,121)
Total transfers to/from cash reserves	(2,077)	(1,121)
Total transfers to/from earmarked reserves	(1,538)	(151)
Balance Carried Forward 31st December	20,049	23,670
Movement in year represented in the Movement in Reserves Statement	839	3,621

The transfer of cash sale proceeds in 2012 relates to disposals made in 2011 where income was not expected and the income was not received until 2012.

(ii) The Usable Capital Receipts reserve records the receipts from sales of fixed assets less amounts used to finance capital expenditure.

	2011 £'000	2012 £'000
Usable Capital Receipts Reserve		
Balance brought Forward 1st of January	56	78
Amounts Received		
General receipts	22	7
Amounts Applied		
New Capital Investment	-	-
Balance Carried Forward 31st December	78	85
Movement in year represented in the Movement in Reserves Statement	22	7

Notes to the Core Financial Statements

(iii) The Internal Investment Reserve holds funds earmarked to support specific initiatives or activities.

Internal Investment Reserve	2011 £'000	2012 £'000
Balance bought Forward 1st of January	-	2,077
Transferred to Reserves		
Reserves for specific projects created in year	2,717	1,853
Amounts Applied		
Reserve balances utilised in year	(624)	(530)
Amounts released back to the General Fund		
Reserve balances no longer required and released back to the General Fund	(16)	(202)
Balance Carried Forward 31st December	2,077	3,198
Movement in year represented in the Movement in Reserves Statement	2,077	1,121

(iv) The Joint Committee Capital Adjustment Account is an earmarked reserve representing the accumulation of the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal, offset by the resources that have been set aside to finance capital expenditure.

The Joint Committee Capital Adjustment Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure and to repay debt.

Joint Committee Capital Adjustment Account	2011 £000	2012 £000
Balance bought Forward 1st of January	13,003	12,830
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(766)	(766)
Revaluation (losses) gains on property plant and equipment	9	(97)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Adjusting amounts written out of Revaluation Reserve	29	251
	12,275	12,218
Net Written out amount of the cost of non-current assets consumed in the year		
Capital financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-
Capital expenditure charged against the General Fund	555	11
	12,830	12,229
Balance Carried Forward 31st December	12,830	12,229
Movement in year represented in the Movement in Reserves Statement	(173)	(601)

(v) The Earmarked Pension Reserve is an earmarked reserve representing the difference between the actuarially calculated value of the pension fund assets and the present value of scheme liabilities.

Earmarked Pension Reserve	2011 £000	2012 £000
Balance bought forward 1st January	(18,117)	(15,842)
Actuarial Gains or (losses) on pension assets and Liabilities	2,614	(7,427)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(1,669)	(1,511)
Employers pensions contributions and direct payments to pensioners payable in year	1,330	1,380
Movement on Assets and Liabilities in year	(15,842)	(23,400)
Movement in year represented in the Movement in Reserves Statement	2,275	(7,558)

Notes to the Core Financial Statements

(vi) The Earmarked Accumulate Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year. Proper accounting arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2011 £000	2012 £000
Earmarked Accumulated Absences Account		
Balance bought forward 1st January	(13)	(45)
Settlement or cancellation of accrual made in preceding year	25	45
Amount to be accrued for current year	(45)	(39)
Amount to be charged to the Comprehensive Income and Expenditure Statement	(20)	6
Balance as at 31st December	(45)	(39)
Movement in year represented in the Movement in Reserves Statement	(20)	6

(vii) The Revaluation reserve represents unrealised gains on the revaluation of property plant and equipment. The balance is reduced when assets with accumulated gains are:

- a) revalued downwards or impaired and the gains are removed
- b) used in provision of services and the gains are consumed through depreciation, or
- c) disposed of and the gains realised

	2011 £000	2012 £000
Revaluation Reserve		
Balance bought Forward 1st of January	879	951
Upward revaluation of assets	101	-
Difference between fair value depreciation and historical cost depreciation	(29)	(21)
Revaluation written out to the General Fund		(628)
Adjusting amounts written out of the Joint Committee Capital Adjustment Account		(230)
Balance Carried Forward 31st December	951	72
Movement in year represented in the Movement in Reserves Statement	72	(879)

14. EMPLOYEE EMOLUMENTS

The table below indicates the numbers of employees whose remuneration was greater than £50,000. Remuneration is defined as amounts paid to or receivable by an employee, including payments in kind, expenses allowances that would be chargeable to UK Income Tax . Termination payments are also included, which can lead to year on year comparisons being distorted.

REMUNERATION BAND £	No of Employees	
	2011	2012
50,000 - 54,999	-	4
55,000 - 59,999	2	1
60,000 - 64,999	1	2
65,000 - 69,999	-	1
70,000 - 74,999	2	1
75,000 - 79,999	-	-
TOTAL	5	9

Notes to the Core Financial Statements

The table below sets out the remuneration disclosure for Senior Officers (Board of Directors) whose salary is £50,000 per year or more by job title. Comparative figures for 2011 are also shown and these officers are excluded from the above table.

2012					
Post	Salary	Expenses	Pay in Lieu of Notice	Pension Contributions	Total Remuneration
Managing Director	125,609	-	-	15,690	141,299
Corporate Director	89,781	-	-	11,114	100,895
Commercial Director	90,383	-	-	14,514	104,897
Supply Chain Director	90,834	-	-	11,114	101,948
	396,607	-	-	52,432	449,039

2011					
Post	Salary	Expenses	Pay in Lieu of Notice	Pension Contributions	Total Remuneration
Managing Director	125,530	-	-	16,320	141,850
Corporate Director	89,702	-	-	11,709	101,411
Commercial Director	90,316	-	-	11,709	102,025
Supply Chain Director	90,756	-	-	11,709	102,465
	396,304	-	-	51,447	447,751

The roles of Managing Director and Commercial Director were new recruitments in July and October 2011 respectively. These roles up until the permanent appointments had been made, had been filled by interim Directors who's costs are included in agency costs under the employees heading on the Comprehensive Income and Expenditure Statement. Annualised salaries for these posts are shown in the above table.

The number of exit packages with the total cost per band of compulsory and other redundancies are set out below.

EXIT PACKAGE	No of compulsory redundancies		No of other departures		Total no of exit packages		Total cost of exit packages	
	2011	2012	2011	2012	2011	2012	2011	2012
£	No.	No.	No.	No.	No.	No.	£,000's	£,000's
0 - 20,000	3	1	-	3	3	4	12	45
20,001 - 40,000	1	1	-	2	1	3	39	82
Total	4	2	0	5	4	7	51	127

Exit packages include redundancy costs, the cost of additional payments to the pension scheme and other departure costs.

15. OPERATING LEASES

An operating lease means that the risks and rewards of ownership remain with the lessor.

The Organisation has entered into operating leases with various lives. The future minimum lease payments due under non-cancellable leases in future years are:

	2011	2012
	£000	£000
Not later than one year	258	264
Later than one year and not later than five years	354	247
Later than five years	872	861
	1,484	1,372

Amounts charged, in respect of these leases, to the Comprehensive Income and Expenditure Statement during 2012 were £362k (2011 £332k) of which £9.50k was contingent rent of Flanshaw Way. The later than five years figure is comprised entirely of a long term lease agreement on the land element of a warehouse property held at Flanshaw Way in Wakefield.

Notes to the Core Financial Statements

16. AMOUNTS REPORTED FOR DECISION MAKING AND PLANNING

The analysis of Income and Expenditure on the face of the Comprehensive Income and Expenditure Statement is that specified by the Code. This is different to the basis on which the Organisation carries out its budgeting decision making and planning process.

The following shows how the Organisations financial reporting output can be reconciled to the Comprehensive Income and Expenditure Statement.

2011 £'000	YPO Profit & Loss 2012	2012 £'000
	Trading	
64,230	Stores	71,578
15,438	Food	15,982
28,785	Directs	40,887
108,453	Total Invoiced Sales	128,447
(82,039)	Cost of Sales	(98,274)
26,414	Gross Margin	30,173
200	Discounts	225
4,134	Rebates	4,546
1,473	Other Income	1,775
32,221	Total Income	36,719
	Operating Costs	
(11,952)	Employment costs	(12,776)
(819)	Premises	(917)
(3,922)	Supplies and Services	(4,441)
(5,452)	Transport	(5,788)
(181)	SLA costs	(113)
(90)	Financial & Misc	(343)
(723)	Depreciation	(862)
(23,139)	Total Operating Costs	(25,240)
31	Interest (payable)/receivable	38
22	Profit/(loss) on disposal of assets	7
-	Dividend paid	-
-	Pension costs	-
9,135	Surplus or (deficit)	11,524

2011 £'000	Reconciliation of P&L Account to I&E Account	2012 £'000
9,135	Net Profit in P&L Account	11,524
(6,758)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management	(7,752)
-	Amounts included in the P&L not included in the Comprehensive Income and Expenditure Statement	-
2,377	Surplus on provision of service	3,772

Notes to the Core Financial Statements

Reconciliation of Profit and Loss Account to Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the profit and loss account relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

YPO Profit & Loss 2012	Amts not rptd for mgt dec making		Alloc'n of reporting expenses		I&E Statement
	P&L Acct £'000	£'000	£'000	£'000	
Total Invoiced Sales	128,447	-	-	-	128,447
Cost of Sales	(98,274)	-	-	-	(98,274)
Gross Margin					
Discounts	225	-	-	-	225
Rebates	4,546	-	-	-	4,546
Other Income	1,775	3	-	-	1,778
Total Income	36,719	3	-	-	36,722
Operating Costs					
Employment costs	(12,776)	(27)	-	-	(12,803)
Premises	(917)	(317)	-	-	(1,234)
Supplies and Services	(4,441)	(134)	-	-	(4,575)
Transport	(5,788)	(46)	-	-	(5,834)
SLA costs	(113)	-	-	-	(113)
Financial & Misc	(343)	-	-	-	(343)
Depreciation	(862)	(1)	-	-	(863)
Total Operating Costs	(25,240)	(525)	-	-	(25,765)
Interest (payable)/receivable	38	-	-	-	38
Profit/(loss) on disposals	7	-	-	-	7
Dividend paid	0	(7,099)	-	-	(7,099)
Pension costs	0	(131)	-	-	(131)
Surplus or (deficit) on provision of service	11,524	(7,752)	-	-	3,772

YPO Profit & Loss 2011	Amts not rptd for mgt dec making		Alloc'n of reporting expenses		I&E Statement
	P&L Acct £'000	£'000	£'000	£'000	
Total Invoiced Sales	108,453	-	-	-	108,453
Cost of Sales	(82,039)	85	-	-	(81,954)
Gross Margin	26,414	85	-	-	26,499
Discounts	200	-	-	-	200
Rebates	4,134	-	-	-	4,134
Other Income	1,473	-	-	-	1,473
Total Income	32,221	85	-	-	32,306
Operating Costs					
Employment costs	(11,952)	(69)	(461)	-	(12,482)
Premises	(819)	-	0	-	(819)
Supplies and Services	(3,922)	-	(530)	-	(4,452)
Transport	(5,452)	-	991	-	(4,461)
SLA costs	(181)	-	-	-	(181)
Financial & Misc	(90)	-	-	-	(90)
Depreciation	(723)	(33)	-	-	(756)
Total Operating Costs	(23,139)	(102)	-	-	(23,241)
Interest (payable)/receivable	31	-	-	-	31
Profit/(loss) on disposal of assets	22	-	-	-	22
Dividend paid	-	(6,402)	-	-	(6,402)
Pension costs	-	(339)	-	-	(339)
Surplus or (deficit) on provision of service	9,135	(6,758)	-	-	2,377

Notes to the Core Financial Statements

17. RELATED PARTY TRANSACTIONS

The Organisation is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Organisation or to be controlled or influenced by the Organisation. During 2011 and 2012 the Organisation had no related party transactions.

Transactions with Founder Member Authorities are shown here for clarity. Founder member authorities are not classified as related parties under the Code of Practice or for the purpose of group accounting but have joint control over the Organisation's decision making and business planning. In addition to the founder members the Organisation has 24 associate members who have no influence over Organisational decision making.

Business transactions with the 13 founder member's accounts for a significant proportion of the Organisation's turnover. Membership entitles these authorities to a share of any annual profits and equal powers over key business decisions.

The value of business transacted with each founder member was:

	2011 £'000	2012 ** £'000
Barnsley	12,889	
Bolton	10,945	
Bradford	22,880	
Calderdale	8,195	
Doncaster	16,229	
Kirklees	18,361	
Knowsley	5,487	
North Yorkshire	12,321	
Rotherham	12,229	
St Helens	7,717	
Wakefield	19,460	
Wigan	11,220	
York	6,574	
	164,507	0

**** TO BE COMPLETED ONCE THE FRAMEWORK SPEND IS AGREED**

The YPO Management Committee is made up of elected representatives from each Member Authority. No personal interest in material transactions have been disclosed by any of the elected representatives or senior officers of the Organisation.

One of the Member Authorities, City of Wakefield MDC, acts as servicing authority for YPO and as such, WMDC officers are the Organisation's statutory officers. YPO has commercial support agreements with Wakefield MDC covering certain accounting, treasury, human resource, legal services and vehicle maintenance arrangements.

18. AUDIT COSTS

2012 Sees the first year of the transition of the audit arrangements from the Audit Commission to KPMG. The following fees were paid to the external auditors for services carried out:

Audit Costs	2011 £000	2012 £000
Fees payable to the Audit Commission (2011) and KPMG (2012) with regard to external audit services carried out by the appointed auditor	47	28

19. EVENTS AFTER THE BALANCE SHEET DATE

THIS SECTION WILL INCLUDE ANY POST BALANCE SHEET EVENTS TO BE REPORTED IN THE FULL AUDITED STATEMENT.

Glossary of Terms

This glossary is provided to assist the reader. It gives explanations of common terms used in relation to local authority finance (which are not explained elsewhere in the Statement), many of which are used within this document.

Accounting Period

The period covered by the accounts, normally a period of twelve months commencing on 1 January. The end of the accounting period is the balance sheet date, 31 December.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

Accumulated Absences

Accumulated absences are sums owing to or from employees at the end of the accounting period not yet claimed back or paid over for hours owed to / from under the flexible working scheme and holiday days over or under used at the period end.

Annual Governance Statement

A statutory document which provides an overview of the governance arrangements within the Organisation, aids the effective exercise of Organisation functions, and includes arrangements for the management of risk.

Asset

An item having value in monetary terms. Assets are defined as current or long term. A current asset will be consumed or cease to have material value within the next financial year. A long term asset provides benefits to the Organisation and its services for more than one year.

Audit of Accounts

An independent examination conducted on a test basis, of the Organisation's financial statements.

Budget

A statement of spending plans and anticipated income for a financial year.

Cash equivalents

Are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalent vouchers

These are vouchers issued to customers as loyalty bonus which are redeemable against future purchases.

Current Assets

Is an amount which will become receivable or could be called in within the next accounting period.

Defined Benefit Plans

Are post employment benefit plans other than a defined contribution plan. Usually the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the plan. The plan may be funded or unfunded.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a long term asset, whether arising from use, passing of time or obsolescence through technological or other changes.

Exceptional Items

Where items of income or expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Organisation's financial performance.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a long term asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments including any initial payments amount to substantially all of the fair value of the leased asset.

Financial Instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term "financial instrument" covers both financial assets and financial liabilities and includes trade receivables, trade payables and derivatives.

Financial Procedure Rules

Written rules of the Organisation relating to all matters with financial implications. All Organisation officers must comply with these rules.

Impairment

A reduction in the value of a long term asset below its carrying amount on the balance sheet.

International Accounting Standards (IAS)

Standards developed by the International Accounting Standards Board (IASB) that are required to be followed.

International Financial Reporting Standards (IFRS)

The Standards (including International Accounting Standards (IAS)) developed by the International Accounting Standards Board (IASB) and supported by interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) on which the accounts of this Organisation are based.

Inventories

Inventories include stocks held for resale and all other assets held for use within the Organisation.

Liability

A liability is where the Organisation owes payment to an individual or organisation. A current liability is an amount which will become payable or could be called in within the next accounting period. A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period.

Net Book Value

The amount at which long term assets are included in the Balance Sheet i.e. their historical value or current value less the cumulative amounts provided for depreciation.

Net Expenditure

Gross expenditure less specific income.

Outturn

Actual income receivable and expenditure due in a financial year.

Payments in Advance

These are payments made in advance of goods or services being provided to the Organisation.

Prior year adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

Reserve

A reserve is an amount set aside in one financial year and carried forward to meet liabilities in a subsequent financial year, both general and specific liabilities.

Turnover

Turnover is the value of invoices issued to customers for the supply of goods and services.

Useful life

The period over which the Organisation will derive benefits from the use of a long term asset.

Index of notes

Index-Notes to the Core Financial Statements	Note no	Page no
Accounting Policies	1	12
Accounting standards issued but not yet adopted	2	16
Amounts reported for decision making and planning	16	28
Assumptions made about the future	4	17
Audit Costs	18	30
Creditors	11	23
Critical judgements in applying accounting policies	3	17
Debtors	10	22
Events after the Balance Sheet date	19	30
Inventories	9	22
Leases	15	27
Material items of income and expense	5	17
Property Plant and Equipment	8	21
Related party transactions	17	30
Remuneration of senior staff	14	26
Reserves and balances	13	24
Retirement benefits accounted for as defined benefit contribution schemes	7	18
Risks to financial instruments	12	23
Turnover	6	18

1. Scope of Responsibility

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

1.2 In discharging this overall responsibility, YPO is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Organisation's functions which include arrangements for the management of risk.

1.3 YPO has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". A copy of the YPO Code of Corporate Governance is available on the website www.ypo.co.uk or can be obtained by telephoning 01924 824477.

1.4 This statement explains how YPO has complied with the Code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011, in relation to the publication of an Annual Governance Statement.

2 The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, and culture and values, by which YPO is directed and controlled and the activities through which it accounts to, engages with and supports the communities it serves. It enables YPO to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of YPO's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at YPO for the year ended 31 December 2012 and up to the date of approval of the statement of accounts.

2.4 There are six core principles that good governance is based on:

- i) Focusing on the purpose of the Organisation and owning authorities and on outcomes for its customers and creating and implementing a vision for the Organisation.
- ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- iii) Promoting values for the Organisation and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- iv) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- v) Developing the capacity and capability of Members and Officers to be effective.
- vi) Engaging with owning authorities, customers, suppliers and other stakeholders to ensure robust public accountability.

3 The Organisations Governance Framework

3.1 The following section describes the key elements of the systems and processes that comprise YPO's governance arrangements which were in place during 2012, set out against the six core principles identified in paragraph 2.4 above.

Core Principles of YPO's Code of Corporate Governance:

Core Principle 1 - Focusing on the purpose of the Organisation and owning authorities and on outcomes for its customers and creating and implementing a vision for the Organisation.

3.1.1 The purpose and vision for YPO is set out in the Organisation's strategic plan which aims to deliver effective efficient and economical arrangements for the supply of goods, materials and services by; securing the best terms for purchasing, storing and distributing items in common use; providing advice on standards and specifications and providing professional technical expertise. This is stated as:

"That every single public organisation achieves the best possible value for money when procuring its goods and services"

3.1.2 The vision has been integral to delivery of the Organisation's development and the continued transformation to meet current and future needs and expectations. The core values identified as being at the heart of everything YPO does are:

needs, the options available in the market and the best possible way of matching the two. If appropriate choice does not exist, we will develop new ways of delivering best value.

. **Effectiveness:** Everything we do must be effective, and provide better value to our customers. Nearly 40 years experience helps us know what's effective and what's not, and we ensure everything we do brings measurable results.

. **Collaboration:** Partnership, not ownership. We always work alongside those we help, adapting to proactively meet their needs. Our role is to provide expertise and knowledge to ensure the public sector achieves the best possible value.

. **Professionalism:** As experts, we must provide a high quality, reliable service. We believe in the highest ethical standards, the need for constant development of our knowledge and the need to constantly seek better value for the public sector.

3.1.3 YPO's strategic objectives are reviewed annually and are supported by the production of an annual Business Plan and Budget linked to the vision and core values which detail the aims, objectives and priorities of the Organisation and communicates the planned activities.

3.1.4 YPO communicates its financial position, performance and achievements through the publication of an Annual Report and Statement of Accounts.

3.1.5 YPO has obtained ISO14001 (Environmental Management Systems) which aids in measuring and managing the Organisation's environmental impact and aspects.

3.1.6 YPO ensures that customers receive a high quality of service through the establishment and continuous monitoring of quality key performance indicators and by conducting an annual customer satisfaction survey.

3.1.7 YPO makes best use of resources to ensure customers receive excellent value for money, by establishing price benchmarking for key product categories at 'buying' price level and by establishing effective contract standing orders and financial procedure rules.

Core Principle 2 - members and officers working together to achieve a common purpose with clearly defined functions and roles.

3.1.8 The Management Committee, which consists of representatives from each of the thirteen founder authorities, governs YPO policy and decision making arrangements and reflects openness, accountability and transparency. Specific procedural rules, protocols and policies are in place to govern Committee functions and delegated authority. The Management Committee and all sub-committees have clear terms of reference that are reviewed on a regular basis.

3.1.9 A Scheme of Delegation is in place which enables the Board of Directors of YPO to make decisions on behalf of the Management Committee, except for certain specific matters which are reserved for the Management Committee, sub-committees or the statutory officers for YPO.

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

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

3.1.12 YPO has service level agreements in place with the Lead Authority covering the expected service delivery for HR, Finance, Internal Audit and Transport Services.

3.1.13 The YPO board have regular meetings with the Strategic Officers Group (which is comprised of senior officers from member authorities), the Section 151 Officer and Monitoring Officer of the Lead Authority.

3.1.14 All YPO employees have conditions of employment and job descriptions which set out their roles and responsibilities and are subject to the Organisations pay and grading structure.

Core Principle 3 – Promoting values for the Organisation and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

3.1.15 YPO makes regular reports to its Management and Sub-Committees on issues of governance and conduct. Overall responsibility for governance lies with the Management Committee however powers are delegated to the Audit Sub-Committee to consider governance issues and provide assurances to support this statement as well as the Scrutiny Sub-Committee who review policy formulation and have call in powers to consider the appropriateness of executive decisions.

3.1.16 YPO has adopted the process of completing an annual assessment of risks surrounding governance arrangements and producing an assurance statement based on these risks which is signed off by the board.

3.1.17 YPO has developed the following policies which are applicable to all officers and are reviewed and updated as appropriate. These are based on the principles of good governance, shared values, expected standards of conduct and ethical principles:

- Anti Fraud and Corruption Policy
- Fraud Response Plan
- Code of Corporate Governance
- Complaints Procedure
- Standing Orders for Contracts
- Financial Procedure Rules
- Recruitment and Selection Policy and Procedures
- Disciplinary Procedures
- Whistle Blowing Code of Practice
- Code of Conduct

- Register of Employee Interests
- Gift and Hospitality Policy
- Risk Management Policy and Strategic Framework 2011
- Access to Information Policy
- Data Protection Policy
- Equality and Diversity Policy
- Health and Safety Policy

3.1.18 Members are required to comply with the policies of their own authority.

3.1.19 YPO is committed to the highest possible standards of openness, probity and accountability. In line with this commitment, YPO has a Complaint Procedure and a Whistle blowing Code of Practice which enables anyone with concerns about any aspects of YPO to come forward and voice these concerns.

Core Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

3.1.20 Officers and members charged with decision making are provided with the relevant data and training in relation to technical issues, legal and financial issues and risk.

3.1.21 Decision making processes are transparent and result in relevant and recorded actions; timely decisions are made to ensure priorities are met. Forthcoming significant decisions are included in the Business Plan and the Scheme of Delegation to ensure that routine decisions are made at the right level, with Committee focusing on policy development and strategic issues. Scrutiny processes are robust and effective and include independent challenge through Elected Members.

3.1.22 YPO's approach to strategic and operational risk management is robust, with Elected Members playing a key role and receiving training from senior officers. Audit Sub-Committee members receive bespoke training on finance, audit and governance. Risk is reviewed regularly as part of the Audit Sub-Committee agenda and Management Committee review the Organisation's strategic risks as part of the business planning process.

3.1.23 Risk management arrangements centre on YPO's Risk Management Policy and Strategic Framework. Senior Management is charged with responsibility for implementing the appropriate actions, maintenance of the Organisation's risk register and regular review of risks.

Core Principle 5 -Developing the capacity and capability of Members and Officers to be effective.

3.1.24 YPO considers Member and Officer training to be critical to further their future development. YPO has in place a development programme that covers relevant topics and elements of the Member programme are aligned to the Organisation's learning and development plan.

3.1.25 All members and officers are subject to an induction program and are required to continuously identify training needs relevant to their role.

3.1.26 YPO has introduced a work shadowing scheme which is open to all officers and is considering the implementation of mentoring and succession planning schemes.

personal development plans.

Core Principle 6 - Engaging with owning authorities, customers, suppliers and other stakeholders to ensure robust public accountability.

3.1.28 YPO effectively engages with customers, suppliers, stakeholders and local people through two-way communication and feedback channels, including key customer and supplier forums, category events and procurement group meetings with owning authorities.

3.1.29 YPO Committee Meetings are held in public with report items considered in private only where appropriate to do so in line with relevant legislation.

3.1.30 YPO publishes an Annual Report and Statement of Accounts which provide information on the Organisation's vision, strategy, plans, financial position, achievements and performance.

3.1.31 YPO takes an active and planned approach to meet its responsibility to employees by developing clear and effective channels of communication including regular Organisation wide updates, team and group briefings and regular discussions with Trade Unions.

4 Review of Effectiveness

4.1.1 YPO has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is managed by the work of Members, Directors and other managers within the Organisation who have responsibility for the development and maintenance of the governance environment and is informed by reports and comments made by internal and external auditors and other review agencies and inspectorates. Maintaining and reviewing the effectiveness of the system of governance was achieved through the following:

4.1.2 Wakefield Metropolitan District Council's Internal Audit team is responsible for providing an independent and objective opinion on the control environment within YPO. Their audit plan and subsequent findings are reported to the Directors of YPO, the Management Committee and the Audit Sub-Committee.

4.1.3 Wakefield Council Internal Audit's overall opinion on the systems of internal control at Yorkshire Purchasing Organisation (YPO) during 2012 is as follows:

associated risks to an acceptable level, with no significant errors, losses or omissions identified. Senior management within the organisation continued to strengthen the overall governance framework, including residual areas previously identified from audit work as requiring improvement. To this end significant further progress has been made in updating a number of key policies and procedures, acknowledging that this is an ongoing process. Consequently there are no new key control improvements requiring including in section 5 of the 2012 AGS based on the outcomes of Internal Audit Work."

4.1.4 In addition to reviews of effectiveness by WMDC Internal Audit, YPO is also subject to reviews by external auditors. YPO's external auditors during 2011 were the Audit Commission. Summarising the findings of their 2011 Audit the Audit Commission in June 2012 offered the following opinion:

Reporting Standards for the first time and successfully produced draft statements and supporting working papers in line with the agreed timescales. The draft financial statements contained two material errors but these did not affect the organisations financial performance and financial position. I made recommendations about two matters arising from my work on the value for money conclusion to help the organisation strengthen its business planning and debt management arrangements."

*Following the Audit Committee I have:
earlier than last year; and*

. Concluded that there are no matters arising from my value for money work that I need to report.

4.1.5 In 2012 the Management Committee received and approved a number of reports and policies along with agreeing the 2013 business plan and budget. Audit Sub-Committee and the Scrutiny Sub-Committee met regularly throughout the year to gain further assurances and to seek clarification on specific areas where necessary. The Member's Joint Consultative Committee (JCC) also met regularly thorough the year to discuss employee related topics.

4.1.6 The organisation held regular meetings with the Statutory Monitoring Officer (WMDC) to ensure compliance with legal requirements and to assist in the effective working relationship between YPO and the Lead Authority.

4.1.7 The strategic and operational risk registers were regularly updated throughout the year to ensure they accurately reflected the risks faced by the organisation and quarterly reports were issued on this subject to Board and Audit Sub-Committee.

4.1.8 A health and safety annual improvement plan was agreed at the Health and Safety Committee meeting in 2012. Updates as to the progress made against the plan were provided to the Health and Safety Committee monthly and the Board quarterly. A health and safety audit was carried out by YPO's insurers with any issues identified rectified in the agreed timescales.

4.1.9 The Member and Officer training programme was carried out throughout 2012. YPO Members are required to comply with the Code of Conduct for their Member Authority; we are unaware of any breaches of this Code by YPO Members.

4.1.10 In response to the Privacy and Electronic Communications (EC Directive) (Amendment) Regulations 2011 during 2012 YPO adopted the revised guidelines issued by the Information commissioners Office (ICO) in how it tracks the use of cookies on the www.ypo.co.uk website.

5 Significant Governance Issues

5.1 In considering the significant internal control issues contained within the 2011 AGS, it is noted that the following enhancements have been made during 2012: The references below – e.g. AGS 2011 5.1.3, refer to the pertinent section of the 2011 AGS report.

5.1.1 AGS 2011 5.1.3: YPO will be determining in 2011 the value of securing ISO 14001 (Environmental Management Systems) accreditation.

YPO achieved this standard in June 2012

5.1.2 AGS 2011 5.1.5: Review of effectiveness and value of Service Level Agreements with Wakefield MDC.

The service Level Agreements for Finance, Audit & HR have been reviewed during 2012. The Transport Service Level Agreement is under on-going review.

5.1.3 AGS 2011 5.2.4: Continue the ongoing training and development of employees with a specific focus on raising awareness of the Employee Code of Conduct, Gifts and Hospitality Protocol, Declarations of Interest Policy and Anti-Fraud and Bribery Policy.

Training for all staff has been completed for these areas during 2012.

5.1.4 AGS 2011 5.2.5: Improve existing procedures to incorporate the monitoring of business use insurance for private car users.

The mileage claim form has been reviewed and a reminder of requirement for business insurance issued to all employees and senior managers

progressed during 2013, being:

5.2.1 AGS 2011 5.1.1: Developing a corporate social responsibility plan which will include the economic role of YPO and developing YPO's good neighbourliness and developing ethical standards.

A Sustainable Procurement Policy has been developed during the year and the board signed a statement of intention in relation to corporate social responsibility. A project will continue throughout 2013 to develop a corporate social responsibility policy which will include the economic role of YPO and developing YPO's good neighbourliness and developing ethical standards.

5.2.2 AGS 2011 5.1.2: Quality Standards (ISO 9001): YPO was committed to securing this standard by December 2010. This has not been achieved and in 2011 YPO will be assessing this particular standard and other quality standard to determine the value to YPO of accredited quality management systems.

A Quality Assurance and Compliance Manager, appointed in July, presented a report to Audit Sub-Committee in October. This included an initial assessment of the needs of YPO in relation to Quality Management Systems and quality accreditation. A Quality Policy was agreed as a basis for building a Quality Management System (QMS), but decision whether to seek accreditation for the QMS has been deferred until the appropriate systems are in place. This is planned for mid 2014.

5.2.3 AGS 2011 5.1.4: Increase the Organisations knowledge of product liability, especially in relation to own brand products and low cost country sourcing.

A procedure is under development for the introduction of new products. In addition a tender is being produced for factory audit, product testing and pre-shipment inspection of globally-sourced products, in which, product liability will be a major consideration.

5.2.4 AGS 2011 5.1.6: As recommended in the Audit Commission's Annual Letter, YPO will make available to the public, information about the roles and responsibilities of the Board of Directors and the Management Committee of YPO (Audit Commission recommendation R4).

YPO has carried out a gap analysis to identify information which will be proactively published on the website to aid compliance with the Freedom of Information Act and Environmental Information Regulations. Part of this information includes the roles and responsibilities of the Board; information on the role of the Management committee is currently available on the YPO website.

5.2.5 AGS 2011 5.2.1: Address any governance issues arising from consideration of the completed 2011 Assurance Statements, not being dealt with as part of progressing issues recorded in 5.1 above.

Progress made against issues raised in the 2011 Assurance Statement is detailed in sections 5.1 and 5.2 of the 2012 AGS.

5.2.6 AGS 2011 5.2.2: Fully embed the risk management process within the organisations business planning process and make the links between the organisations strategic and operational risks more clear.

The Strategic and Operational Risk Registers have been reviewed during 2012 and now utilise the FIRM (Financial, Infrastructure, Reputational, Marketplace) risk classification system as well as clearly stating the strategic objective to which the risk relates. Risks and associated controls are identified during the business planning process however it is recognised that this is an area that requires further development in 2013.

5.2.7 AGS 2011 5.2.3: Review the organisations existing business continuity arrangements in order to improve the organisations resilience..

A Business Continuity Policy, Risk Assessment and Incident Management Plan have been produced during 2012. Formal training has been provided to members of the Senior Management Team. ICT are continuing to prepare a business case for the provision of disaster recovery facilities.

5.3 The AGS and supporting documentation provides evidence of improvements in YPO's governance arrangements in 2012. In looking towards 2013 and beyond it is acknowledged that there are a number of new initiatives to be implemented / embedded to further enhance the existing governance environment in addition to those recorded in 5.2 above. These key issues are:

5.3.1. Address any governance issues arising from consideration of the completed 2012 Assurance Statements, not being dealt with as part of progressing issues recorded in 5.2 above.

5.3.2. It is recognised that the processes for identifying changes to relevant legislation require strengthening.

5.3.3. As recognised in the Audit Commission's 2011 Annual Letter R3 , "Ensure that debt management procedures are effective and appropriate to manage the risks of a changing customer base". The debt situation is closely monitored and the process for evaluating credit risk will be further strengthened during 2013 following a review of current procedures for account creation.

5.3.4. As recognised in the Audit Commission's 2011 Annual Letter R5, "Ensure the cost and resource implications for all parts of the Organisation are understood in all business planning decisions". Further work has been completed around understanding the relationships between different systems and the impact of business decisions on associated systems during 2012, these findings will be further developed in business planning processes during 2013.

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

Simon Hill
 Chair
 Managing Director
 YPO Audit Sub Committee

Cllr. Les
 Chairman

Appendix 2 YORKSHIRE PURCHASING ORGANISATION

AUDIT OF ACCOUNTS YEAR ENDED 31 DECEMBER 2012

Audit Commission Act 1998, sections 15 - 16

Accounts and Audit (England) Regulations 2011 Regulations 9, 10, 21, 22 & 24

The City of Wakefield Metropolitan District Council, as servicing authority for the Yorkshire Purchasing Organisation of which the following local authorities are members:

Barnsley Metropolitan Borough Council
Bolton Metropolitan Borough Council
City of Bradford Metropolitan District Council
Calderdale Metropolitan Borough Council
Doncaster Metropolitan Borough Council
Kirklees Metropolitan Council
Knowsley Metropolitan Borough Council
North Yorkshire County Council
Rotherham Metropolitan Borough Council
St Helens Borough Council
City of Wakefield Metropolitan District Council
Wigan Metropolitan Borough Council
City of York Council

Gives notice that the Organisation's accounts are subject to external audit by Mr S Clark of KPMG, 1 The Embankment, Neville Street, Leeds LS1 4DW. Members of the public and local government electors have certain rights in the audit process:

1. From Monday 18th February to Friday 15th March 2013 between 10am and 5pm any person may inspect the accounts of the Organisation for the year ended 31 December 2012 and certain related documents (comprising books, deeds, contracts, bills, vouchers and receipts) at **Yorkshire Purchasing Organisation, 41 Industrial Park, Wakefield WF2 0XE**. They may also make copies of the accounts and documents.
2. From 10am on Monday 18th March 2013 until the conclusion of the audit process, a local government elector for the area of the Organisation, or his/her representative, may ask the auditor questions about the accounts. Please contact the auditor at the address given above to make arrangements to ask any questions.
3. From 10am on Monday 18th March 2013 until the conclusion of the audit process, a local government elector for the area of the Organisation, or his/her representative, may object to the Organisation's accounts asking that the auditor issue a report in the public interest (under section 8 of the Audit Commission Act 1998) and/or apply to the court for a declaration that an item in the accounts is contrary to law (under section 17 of the Audit Commission Act 1998). Written notice of a proposed objection and the grounds on which it is made must be sent to the auditor at the address given above and copied to the Corporate Director, Yorkshire Purchasing Organisation, 41 Industrial Park, Wakefield WF2 0XE. (Tel. 01924 834834).

Joanne Roney
Chief Executive
City of Wakefield MDC
Town Hall
Wakefield
WF1 2HQ



**YPO
AUDIT SUB COMMITTEE**

**TO BE HELD ON
8TH FEBRUARY 2013**

TITLE: ANNUAL GOVERNANCE STATEMENT 2012

REPORT OF: RISK AUDIT & ASSURANCE OFFICER

1. PURPOSE OF REPORT

- 1.1. To request that the Audit Sub-Committee approve the Annual Governance Statement for 2012 and the Code of Corporate Governance 2013.

2. BACKGROUND INFORMATION

- 2.1. YPO must ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and that funds are used economically, efficiently and effectively and that proper arrangements are in place for the governance of its affairs.
- 2.2. Good corporate governance demonstrates to the public and other stakeholders that YPO has its own house in order and is approaching the challenges it faces in a corporate and strategic way. Governance is about how YPO ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Corporate governance comprises the systems and processes and cultures and values by which YPO is directed and controlled.
- 2.3. In order to demonstrate good corporate governance YPO has in place a Code of Corporate Governance based on the Joint Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) guidance note "Delivering Good Governance in Local Government". The Code of Corporate Governance is an important part in the compilation of an Annual Governance Statement (AGS) by YPO. The AGS is a statement that YPO publishes with its annual financial statements. Its compilation should follow a review of the effectiveness of YPO's overall governance arrangements and take into account how well YPO have performed against its Code of Corporate Governance.
- 2.4. The Code includes six core principles:
- Principle 1: Focusing on the purpose of the joint committee and on outcomes for our customers and stakeholders and creating and implementing a vision for the joint committee.
- Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.

Principle 3: Promoting values for the joint committee and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Principle 5: Developing the capacity and capability of members and officers to be effective.

Principle 6: Engaging with customers and member authorities to ensure robust public accountability.

2.5. The draft Annual Governance Statement for 2012 based on the 2012 code is attached in Appendix 1 and revised Code of Corporate Governance for 2013 is attached in Appendix 2. It is requested that Audit Sub-Committee review and approve these documents.

3. STRATEGIC IMPLICATIONS

3.1. None.

4. FINANCIAL IMPLICATIONS

4.1. None.

5. LEGAL IMPLICATIONS

5.1. Completion of the Annual Governance Statement is requirement of Regulation 4 of the Accounts and Audit Regulations 2011.

5.2. The Code of Corporate Governance is based on a joint Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) guidance note "Delivering Good Governance in Local Government".

6. EQUALITY IMPLICATIONS

6.1. None.

7. RISK IMPLICATIONS

7.1. This is a request for approval of documents supporting the governance of the organisation. Thus accepting the report does not in itself pose any risk to the organisations well-being.

8. RECOMMENDATION (S)

8.1. That the Annual Governance Statement 2012 & Code of Corporate Governance 2013 be approved.

CONTACT DETAILS:

SERVICE DIRECTOR: Ian Knowles, Corporate Director

CONTACT OFFICER: Diana Wright, Risk Audit & Assurance Officer

Telephone No: 01924 834984

E-mail address: diana.wright@ypo.co.uk

CONTACT OFFICER: Ron Taylor, Financial Accountant

Telephone No: 01924 834819

E-mail address: ron.taylor@ypo.co.uk

APPENDIX (CES):

Appendix 1 – Annual Governance Statement 2012

Appendix 2 – Code of Corporate Governance 2013

The Buying Power behind the Public Sector



Annual Governance Statement 2012 - DRAFT



Document Control Page

Document Type	Statement
Document Ownership	Corporate Governance
Title of Document	Annual Governance Statement (2012)
Reference Number	
Controlled By	Corporate Director
Created By	Corporate Director
Approved By: 1	
Approved By: 2	
Maintained By	Corporate Director
Publication Date	
Next Review Date	
Distribution	All
Replaces Document	Annual Governance Statement - 2011

Annual Governance Statement 2012

Contents

Section		Page
1.	The Scope of Responsibility	4
2.	The Purpose of the Governance Framework.....	4
3.	The Organisations Governance Framework.....	5
4.	Review of Effectiveness	10
5.	Significant Governance Issues.....	11

DRAFT

1. Scope of Responsibility

- 1.1 YPO is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Organisation also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, YPO is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Organisation's functions which include arrangements for the management of risk.
- 1.3 YPO has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". A copy of the YPO Code of Corporate Governance is available on the website www.ypo.co.uk or can be obtained by telephoning 01924 824477.
- 1.4 This statement explains how YPO has complied with the Code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011, in relation to the publication of an Annual Governance Statement.

2 The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which YPO is directed and controlled and the activities through which it accounts to, engages with and supports the communities it serves. It enables YPO to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of YPO's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at YPO for the year ended 31 December 2012 and up to the date of approval of the statement of accounts.
- 2.4 There are six core principles that good governance is based on:

- i) Focusing on the purpose of the Organisation and owning authorities and on outcomes for its customers and creating and implementing a vision for the Organisation.
- ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- iii) Promoting values for the Organisation and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- iv) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- v) Developing the capacity and capability of members and officers to be effective.
- vi) Engaging with owning authorities, customers, suppliers and other stakeholders to ensure robust public accountability.

3 The Organisations Governance Framework

- 3.1 The following section describes the key elements of the systems and processes that comprise YPO's governance arrangements which were in place during 2012, set out against the six core principles identified in paragraph 2.4 above.

Core Principles of YPO's Code of Corporate Governance:

Core Principle 1 - Focusing on the purpose of the Organisation and owning authorities and on outcomes for its customers and creating and implementing a vision for the Organisation.

- 3.1.1 The purpose and vision for YPO is set out in the Organisation's strategic plan which aims to deliver effective efficient and economical arrangements for the supply of goods, materials and services by; securing the best terms for purchasing, storing and distributing items in common use; providing advice on standards and specifications and providing professional technical expertise. This is stated as:

"That every single public organisation achieves the best possible value for money when procuring its goods and services".

- 3.1.2 The vision is integral to delivery of the Organisation's development and the continued transformation to meet current and future needs and expectations. The core values identified as being at the heart of everything YPO does are:

- **Choice:** We believe in providing customers with an informed choice at all times. To do this we must understand their needs, the options available in the market and the best possible way of matching the two. If appropriate choice does not exist, we will develop new ways of delivering best value.
- **Effectiveness:** Everything we do must be effective, and provide better value to our customers. Nearly 40 years' experience helps us know what's effective and what's not, and we ensure everything we do brings measurable results.
- **Collaboration:** Partnership, not ownership. We always work alongside those we help, adapting to proactively meet their needs. Our role is to provide expertise and knowledge to ensure the public sector achieves the best possible value.
- **Professionalism:** As experts, we must provide a high quality, reliable service. We believe in the highest ethical standards, the need for constant development of our knowledge and the need to constantly seek better value for the public sector.

3.1.3 YPO's strategic objectives are reviewed annually and are supported by the production of an annual business plan and budget linked to the vision and core values which detail the aims, objectives and priorities of the Organisation and communicates the planned activities.

3.1.4 YPO communicates its financial position, performance and achievements through the publication of an Annual Report and Statement of Accounts.

3.1.5 YPO has obtained ISO14001 (Environmental Management Systems) which aids in measuring and managing the Organisation's environmental impact and aspects.

3.1.6 YPO ensures that customers receive a high quality of service through the establishment and continuous monitoring of quality key performance indicators and by conducting an annual customer satisfaction survey.

3.1.7 YPO makes best use of resources to ensure customers receive excellent value for money, by establishing price benchmarking for key product categories at 'buying' price level and by establishing effective Contract Standing Orders and Financial Procedure Rules.

Core Principle 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles.

3.1.8 The Management Committee, which consists of representatives from each of the thirteen founder authorities, governs YPO policy and decision making arrangements and reflects openness, accountability and transparency. Specific procedural rules, protocols and policies are in place to govern committee functions and delegated authority. The Management Committee and all sub-committees have clear terms of reference that are reviewed on a regular basis.

- 3.1.9 A Scheme of Delegation is in place which enables the Board of Directors of YPO to make decisions on behalf of the Management Committee, except for certain specific matters which are reserved for the Management Committee, sub-committees or the statutory officers of YPO.
- 3.1.10 The Statutory Finance (S151) Officer of the Lead Authority is responsible to the Management Committee for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control. The Corporate Director has a clear role, responsibility and duty as specified in the Scheme of Delegation and the Finance Procedure Rules for day to day financial management and adherence.
- 3.1.11 The Statutory Monitoring Officer of the Lead Authority is responsible to the Management Committee for ensuring that agreed procedures are followed and that all applicable Statutes and Regulations are complied with. Members of the YPO Board of Directors have clear roles, responsibilities and duties as specified in the Scheme of Delegation for day to day governance.
- 3.1.12 YPO has service level agreements in place with the Lead Authority covering the expected service delivery for HR, Finance, Internal Audit and Transport Services.
- 3.1.13 The YPO board have regular meetings with the Strategic Officers Group (which is comprised of senior officers from member authorities), the Section 151 Officer and Monitoring Officer of the Lead Authority.
- 3.1.14 All YPO employees have conditions of employment and job descriptions which set out their roles and responsibilities and are subject to the organisations pay and grading structure.

Core Principle 3 – Promoting values for the Organisation and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

- 3.1.15 YPO makes regular reports to its Management and sub-committees on issues of governance and conduct. Overall responsibility for governance lies with the Management Committee however powers are delegated to the Audit Sub-Committee to consider governance issues and provide assurances to support this statement as well as the Scrutiny Sub-Committee who review policy formulation and have call in powers to consider the appropriateness of executive decisions.
- 3.1.16 YPO has adopted the process of completing an annual assessment of risks surrounding governance arrangements and producing an assurance statement based on these risks which is signed off by the board.
- 3.1.17 YPO has developed the following policies which are applicable to all officers and are

reviewed and updated as appropriate. These are based on the principles of good governance, shared values, expected standards of conduct and ethical principles:

- Anti-Fraud and Bribery Policy
- Fraud Response Plan
- Code of Corporate Governance
- Complaints Procedure
- Standing Orders for Contracts
- Financial Procedure Rules
- Recruitment and Selection Policy and Procedures
- Disciplinary Procedures
- Whistle Blowing Code of Practice
- Code of Conduct
- Register of Employee Interests Policy
- Gift and Hospitality Policy
- Risk Management Policy and Strategic Framework
- Access to Information Policy
- Data Protection Policy
- Equality and Diversity Policy
- Health and Safety Policy

3.1.18 Members are required to comply with the policies of their own authority.

3.1.19 YPO is committed to the highest possible standards of openness, probity and accountability. In line with this commitment YPO operates a Complaints Procedure and a Whistleblowing Code of Practice which enables anyone with concerns about any aspects of YPO's business to come forward and voice those concerns.

Core Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

3.1.20 Officers and members charged with decision making are provided with relevant data and training in relation to technical issues, legal and financial issues and risk.

3.1.21 Decision making processes are transparent and result in relevant and recorded actions; timely decisions are made to ensure priorities are met. Forthcoming significant decisions are included in the Business Plan and the Scheme of Delegation to ensure that routine decisions are made at the right level, with Committee focusing on policy development and strategic issues. Scrutiny processes are robust and effective and include independent challenge through Elected Members.

3.1.22 YPO's approach to strategic and operational risk management is robust, with Elected Members playing a key role and receiving training from senior officers. Audit Sub-Committee members receive bespoke training on finance, audit and governance. Risk is reviewed regularly as part of the Audit Sub-Committee agenda and

Management Committee review the Organisation's strategic risks as part of the business planning process.

- 3.1.23 Risk management arrangements centre on YPO's Risk Management Policy and Strategic Framework. Senior Management is charged with responsibility for implementing the appropriate actions, maintenance of the Organisation's risk register and regular review of risks.

Core Principle 5 - Developing the capacity and capability of Members and Officers to be effective.

- 3.1.24 YPO considers member and officer training to be critical to further their future development. YPO has in place a development programme that covers relevant topics and elements of the member programme are aligned to the Organisations learning and development plan.
- 3.1.25 All members and officers are subject to an induction program and are required to continuously identify training needs relevant to their role.
- 3.1.26 YPO has introduced a work shadowing scheme which is open to all officers and is considering the implementation of mentoring and succession planning schemes.
- 3.1.27 Officers have an annual appraisal that includes performance against objectives and reviewing and updating personal development plans.

Core Principle 6 - Engaging with owning authorities, customers, suppliers and other stakeholders to ensure robust public accountability.

- 3.1.28 YPO effectively engages with customers, suppliers, stakeholders and local people through two-way communication and feedback channels, including key customer and supplier forums, category events and procurement group meetings with owning authorities.
- 3.1.29 YPO Committee Meetings are held in public with report items considered in private only where appropriate to do so in line with relevant legislation.
- 3.1.30 YPO publishes an Annual Report and Statement of Accounts which provide information on the Organisation's vision, strategy, plans, financial position, achievements and performance.
- 3.1.31 YPO takes an active and planned approach to meet its responsibility to employees by developing clear and effective channels of communication including regular Organisation wide updates, team and group briefings and regular discussions with Trade Unions.

4 Review of Effectiveness

4.1.1 YPO has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Members, Directors and other managers within the Organisation who have responsibility for the development and maintenance of the governance environment and is informed by reports and comments made by internal and external auditors and other review agencies and inspectorates. Maintaining and reviewing the effectiveness of the system of governance was achieved through the following:

4.1.2 Wakefield Metropolitan District Council's Internal Audit team is responsible for providing an independent and objective opinion on the control environment within YPO. Their audit plan and subsequent findings are reported to the Directors of YPO, the Management Committee and the Audit Sub-Committee.

4.1.3 Wakefield Council Internal Audit's overall opinion on the systems of internal control at Yorkshire Purchasing Organisation (YPO) during 2012 is as follows:

"From the work undertaken by Internal Audit during 2012, key internal controls were found to be adequate to manage associated risks to an acceptable level, with no significant errors, losses or omissions identified. Senior management within the Organisation continued to strengthen the overall governance framework, including residual areas previously identified from audit work as requiring improvement. To this end significant further progress has been made in updating a number of key policies and procedures, acknowledging that this is an ongoing process. Consequently there are no new key control improvements requiring including in Section 5 of the 2012 AGS based on the outcomes of Internal Audit work."

4.1.4 In addition to reviews of effectiveness by WMDC Internal Audit, YPO is also subject to reviews by external auditors. YPO's external auditors during 2011 were the Audit Commission. Summarising the findings of their 2011 Audit the Audit Commission in June 2012 offered the following opinion:

"The Organisation successfully closed down the 2011 accounts earlier while preparing accounts under International Financial Reporting Standards for the first time and successfully produced draft statements and supporting working papers in line with the agreed timescales. The draft financial statements contained two material errors but these did not affect the Organisation's financial performance and financial position. I made recommendations about two matters arising from my work on the value for money conclusion to help the Organisation strengthen its business planning and debt management arrangements."

Following the Audit Committee I have:

- *issued an unqualified opinion on the Organisation's 2011 financial statements on 23 April which was two months earlier than last year; and*

• *concluded that there are no matters arising from my value for money work that I need to report*

- 4.1.5 In 2012 the Management Committee received and approved a number of reports and policies along with agreeing the 2013 business plan and budget. Audit Sub-Committee and the Scrutiny Sub-Committee met regularly throughout the year to gain further assurances and to seek clarification on specific areas where necessary. The Member's Joint Consultative Committee (JCC) also met regularly thorough the year to discuss employee related topics.
- 4.1.6 The organisation held regular meetings with the Statutory Monitoring Officer (WMDC) to ensure compliance with legal requirements and to assist in the effective working relationship between YPO and the Lead Authority.
- 4.1.7 The Strategic and Operational Risk Registers were regularly updated throughout the year to ensure they accurately reflected the risks faced by the organisation and quarterly reports were issued on this subject to Board and Audit Sub-Committee.
- 4.1.8 A Health and Safety Annual Improvement Plan was agreed at the Health and Safety Committee meeting in 2012. Updates as to the progress made against the plan were provided to the Health and Safety Committee monthly and the Board quarterly. A health and safety audit was carried out by YPO's insurers with any issues identified rectified in the agreed timescales.
- 4.1.9 Member and officer training was carried out throughout 2012. YPO members are required to comply with the Code of Conduct for their Member Authority; we are unaware of any breaches of this Code by YPO members.
- 4.1.10 In response to the Privacy and Electronic Communications (EC Directive) (Amendment) Regulations 2011 during 2012 YPO adopted the revised guidelines issued by the Information Commissioners Office (ICO) in how it tracks the use of cookies on the www.ypo.co.uk website.

5 Significant Governance Issues

- 5.1 In considering the significant internal control issues contained within the 2011 AGS, it is noted that the following enhancements have been made during 2012: The references below – e.g. AGS 2011 5.1.3, refer to the pertinent section of the 2011 AGS report.
- 5.1.1 *AGS 2011 5.1.3: YPO will be determining in 2011 the value of securing ISO 14001 (Environmental Management Systems) accreditation.*

YPO achieved this standard in June 2012.

5.1.2 *AGS 2011 5.1.5: Review of the effectiveness and value of Service Level Agreements with Wakefield MDC.*

The Service Level Agreements for Finance, Audit & HR have been reviewed during 2012. The Transport Service Level Agreement is under on-going review.

5.1.3 *AGS 2011 5.2.4. Continue the on-going training and development of employees with a specific focus on raising awareness of the Employee Code of Conduct, Gifts and Hospitality Protocol, Declarations of Interest Policy and Anti-Fraud and Bribery Policy.*

Training for all staff has been completed for these areas during 2012.

5.1.4 *AGS 2011 5.2.5. Improve existing procedures to incorporate the monitoring of business use insurance for private car users.*

The mileage claim form has been reviewed and reminder of requirement for business insurance issued to all employees and senior managers.

5.2 A number of issues referred to in the 2011 AGS have been partially actioned during 2012 and will be further progressed during 2013, being:

5.2.1 *AGS 2011 5.1.1 Developing a corporate social responsibility plan which will include the economic role of YPO and developing YPO's good neighbourliness and developing ethical standards.*

A Sustainable Procurement Policy has been developed during the year and the Board signed a statement of intentions in relation to corporate social responsibility. A project will continue throughout 2013 to develop a corporate social responsibility policy which will include the economic role of YPO and developing YPOs good neighbourliness and developing ethical standards.

5.2.2 *AGS 2011 5.1.2: Quality Standards (ISO 9001): YPO was committed to securing this standard by December 2010. This has not been achieved and in 2011 YPO will be assessing this particular standard and other quality standards to determine the value to YPO of accredited quality management systems.*

A Quality Assurance and Compliance Manager, appointed in July, presented a report to Audit Sub-Committee in October. This included an initial assessment of the needs of YPO in relation to Quality Management Systems and quality accreditation. A Quality Policy was agreed as a basis for building a Quality Management System, but the decision whether to seek accreditation for the QMS has been deferred until the appropriate systems are in place. This is planned for mid 2014.

- 5.2.3 *AGS 2011 5.1.4: Increase the organisations knowledge of product liability, especially in relation to own brand products and low cost country sourcing.*

A procedure is under development for the introduction of new products. In addition, a tender is being produced for factory audit, product testing and pre-shipment inspection of globally-sourced products, in which, product liability will be a major consideration.

- 5.2.4 *AGS 2011 5.1.6: As recommended in the Audit Commission's 2010 Annual Letter, YPO will make available to the public, information about the roles and responsibilities of the Board of Directors and the Management Committee of YPO (Audit Commission recommendation R4).*

YPO has carried out a gap analysis to identify information which will be proactively published on the website to aid compliance with the Freedom of Information Act and Environmental Information Regulations. Part of this information includes the roles and responsibilities of the Board; information on the role of the Management Committee is currently available on the YPO website.

- 5.2.5 *AGS 2011 5.2.1: Address any governance issues arising from consideration of the completed 2011 Assurance Statements, not being dealt with as part of progressing issues recorded in section 5.1 of the 2011 AGS.*

Progress made against issues raised in the 2011 Assurance Statements is detailed in sections 5.1 & 5.2 of the 2012 AGS.

- 5.2.6 *AGS 2011 5.2.2. Fully embed the risk management process within the organisations business planning process and make the links between the organisations strategic and operational risks more clear.*

The Strategic and Operational Risk Registers have been reviewed during 2012 and now utilise the FIRM (Financial, Infrastructure, Reputational, Marketplace) Risk Classification System as well as clearly stating the strategic objective to which the risk relates. Risks and associated controls are identified during the business planning process however it is recognised that this is an area that requires further development in 2013.

- 5.2.7 *AGS 2011 5.2.3. Review the organisations existing business continuity arrangements in order to improve the organisations resilience.*

A Business Continuity Policy, Risk Assessment and Incident Management Plan have been produced during 2012. Formal training has been provided to members of the Senior Management Team. ICT are continuing to prepare a business case for the provision of disaster recovery facilities.

- 5.3 The AGS and supporting documentation provides evidence of improvements in

YPO's governance arrangements in 2012. In looking towards 2013 and beyond it is acknowledged that there are a number of new initiatives to be implemented / embedded to further enhance the existing governance environment in addition to those recorded in 5.2 above. These key issues are:

- 5.3.1 Address any governance issues arising from consideration of the completed 2012 Assurance Statements, not being dealt with as part of progressing issues recorded in 5.2 above.
- 5.3.2 It is recognised that the processes for identifying changes to relevant legislation require strengthening.
- 5.3.3 As recommended in the Audit Commission's 2011 Annual Letter R3, "Ensure that debt management procedures are effective and appropriate to manage the risks of a changing customer base". The debt situation is closely monitored and the process for evaluating credit risk will be further strengthened during 2013 following a review of current procedures for account creation and monitoring.
- 5.3.4 As recommended in the Audit Commission's 2011 Annual Letter R5, "Ensure the cost and resource implications for all parts of the Organisation are understood in all business planning decisions". Further work has been completed around understanding the relationships between different systems and the impact of business decisions on associated systems during 2012, these findings will be further developed in business planning processes during 2013.
- 5.4 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Simon Hill
Managing Director

YPO

Cllr. Les Shaw
Chair of the Audit Sub-Committee

YPO

NOTE: For security reasons the version of this document published on www.ypo.co.uk will not hold signatures

The Buying Power behind the Public Sector



The Buying Power behind the Public Sector



Code of Corporate Governance 2013 - DRAFT



Document Control Page

Document Type	Policy
Document Ownership	Corporate
Title of Document	Code of Corporate Governance 2013
Reference Number	
Controlled By	Corporate Director
Created By	Risk Audit & Assurance Officer
Approved By: 1	
Approved By: 2	
Maintained By	Risk, Audit & Assurance Officer
Publication Date	
Next Review Date	
Current Version	
Distribution	All employees, Intranet, Internet
Replaces Document	Code of Corporate Governance 2012

Code of Corporate Governance 2013

Contents

Section 1 – Introduction

Section 2 - Corporate Governance

Section 3 – Applying the Core Principles of Good Governance

Section 4 – Annual Review and Reporting

DRAFT

1. Introduction

- 1.1. YPO, established constitutionally as a Joint Committee of Local Authorities in 1974, operates under the aegis of the Local Authority (Goods and Services) Act 1970. The largest formally constituted Local Authority purchasing consortium in the UK, YPO is governed by a Management Committee of elected representatives from member authorities.
- 1.2. There are currently 13 founder member authorities and 18 associate member authorities of YPO, although the organisation trades extensively outside the membership area. Management of the organisation reports periodically to a Management Committee of two elected members from each authority. The membership consists of:

Founder Member Authorities

Barnsley MBC
 North Yorkshire CC
 Bolton MBC
 Rotherham MBC
 City of Bradford MC
 St Helens MBC
 MB of Calderdale
 City of Wakefield MDC
 Doncaster MBC
 Wigan MBC
 Kirklees MC
 City of York Council
 Knowsley MBC

Associate Member Authorities

Bury Metropolitan Borough Council
 Cheshire East Council
 Cumbria County Council
 Durham County Council
 East Riding of Yorkshire Council
 Hull City Council
 Leeds City Council
 North East Lincolnshire Council
 North Lincolnshire Council
 Rochdale Metropolitan Borough Council
 Sheffield City Council
 South Yorkshire Fire and Rescue
 South Yorkshire Police
 Stockport Metropolitan Borough Council
 Trafford Metropolitan Borough Council
 Warrington Borough Council
 West Yorkshire Fire and Rescue Service
 West Yorkshire Police

- 1.3. YPO is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and that these funds are used economically, efficiently and effectively. YPO is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Organisation's functions which include arrangements for the management of risk.
- 1.4. In order to demonstrate good corporate governance YPO has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government, the purpose of this document is to set out this code.

2. Corporate Governance

2.1. What is good Corporate Governance

- 2.1.1. Good Corporate Governance will demonstrate to the public and other stakeholders that YPO has its own house in order and is approaching the challenges it faces in a corporate and strategic way. Governance is about how YPO ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Corporate Governance comprises the systems and processes and cultures and values by which YPO is directed and controlled.

2.2. The Local Code of Governance

- 2.2.1. A joint Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) guidance note "Delivering Good Governance in Local Government" provides a framework, intended to be used as best practice for developing and maintaining a code of corporate governance. Whilst corporate governance is a holistic concept it has been mapped out in the guidance note using six core principles.
- 2.2.2. The YPO local Code of Governance has been developed in accordance with, and is consistent with, the Delivering Good Governance in Local Government Framework.

2.3. Core Governance Principles of YPO

- 2.3.1. **Principle 1:** Focusing on the purpose of the Joint Committee and on outcomes for our customers and stakeholders and creating and implementing a vision for the Joint Committee.
- 2.3.2. **Principle 2:** Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
- 2.3.3. **Principle 3:** Promoting values for the Joint Committee and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- 2.3.4. **Principle 4:** Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

2.3.5. **Principle 5:** Developing the capacity and capability of Members and Officers to be effective.

2.3.6. **Principle 6:** Engaging with customers and member authorities to ensure robust public accountability.

DRAFT

3. Applying the Core Principles of Good Governance

The six core principles each have a number of supporting principles, which in turn have a range of specific requirements that apply across YPO's business:

Core Principle 1

Focusing on the purpose of the Joint Committee and on outcomes for our customers and stakeholders and creating and implementing a vision for the Joint Committee.

Supporting Principles	YPO commits itself to:
1.1 Exercising strategic leadership by developing and clearly communicating YPO's purpose and vision	(a) Develop and promote the purpose and vision.
	(b) Review on a regular basis the vision for delivering excellent customer service and the implications for our governance arrangements.
	(c) Publish an annual report (or similar documents) on a timely basis to communicate YPO's activities and achievements, its financial position and performance.
1.2 Ensuring that customers receive a high quality of service whether directly, or through framework provision	(a) Decide how the quality of service for customers is to be measured and make sure that the information needed to review service quality effectively and regularly is available.
	(b) Put in place effective arrangements to identify and deal with failure in service delivery.
1.3 Ensuring that YPO makes best use of resources and that investment in YPO gives excellent value for money.	(a) Decide how value for money is to be measured and make sure that the Management Committee has the information needed to review value for money and performance effectively.

Supporting Principles	YPO commits itself to:
	(b) Measure the environmental impact of policies, plans and decisions.

Core Principle 2

Members and officers working together to achieve a common purpose with clearly defined functions and roles

Supporting Principles	YPO commits itself to:
2.1 Ensuring effective leadership throughout YPO and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.	(a) Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and YPO's approach towards putting this into practice.
	(b) Set out a clear statement of the respective roles and responsibilities of other YPO Members and of Senior Officers.
2.2 Ensuring that a constructive working relationship exists between Elected Members and Officers and that the responsibilities of Members and Officers are carried out to a high standard.	(a) Determine a scheme of delegation and reserve powers within the Management Agreement including a formal schedule of those matters specifically reserved for collective decision of the Management Committee, taking account of relevant legislation, and ensure that it is monitored and updated when required.
	(b) Make the Managing Director responsible and accountable to the Chair of the Management Committee for all aspects of operational management.
	(c) Develop protocols to ensure that the Chair of the Management Committee and Managing Director negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.

Supporting Principles	YPO commits itself to:
	<p>(d) Make a Senior Officer of the lead Authority (the S151 Officer) and a designated Director within YPO (Corporate Director) responsible to the Management Committee and 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.</p> <p>(e) Make a Senior Officer of the lead Authority (usually the Monitoring Officer) responsible to the Management Committee for ensuring that agreed procedures are followed and that all applicable Statutes and Regulations are complied with.</p>
<p>2.3 Ensuring relationships between YPO and the Lead Authority are clear so that each knows what to expect of the other.</p>	<p>(a) Develop protocols to ensure effective communication between Lead Authority Members and Officers and YPO Members and Officers in their respective roles.</p> <p>(b) Set out the terms and conditions for remuneration of Members and Officers and an effective structure for managing the process, including an effective Remuneration Panel (if applicable).</p> <p>(c) Ensure that effective mechanisms exist to monitor service delivery.</p>

Core Principle 3

Promoting values for the Joint Committee and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Supporting Principles	YPO commits itself to:
3.1 Ensuring YPO Members and Officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.	(a) Ensure that YPO's leadership sets a tone for the organisation by creating a climate of openness, support and respect.
	(b) Ensure that standards of conduct and personal behaviour expected of Members and Officers, and work between Members, Officers, its partners and customers are defined and communicated through Codes of Conduct and Protocols.
	(c) Put in place arrangements to ensure that Elected Members and employees of YPO are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.
3.2 Ensuring that organisational values are put into practice and are effective.	(a) Develop and maintain shared values including leadership values for both the organisation and Officers reflecting customer expectations, and communicate these with Members, Officers and customers
	(b) Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice
	(c) Develop and maintain an effective standards framework.

Supporting Principles	YPO commits itself to:
	(d) Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the organisation.
	(e) In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behavior both individually and collectively.

Core Principle 4

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Supporting Principles	YPO commits itself to:
4.1 Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.	(a) Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the organisation's performance overall.
	(b) Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.
	(c) Put in place arrangements to safeguard Members and Officers against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.
	(d) Develop and maintain an effective Audit Committee (or equivalent), which is independent of the executive and scrutiny functions, or make other appropriate arrangements for the discharge of the functions of such a Committee.

Supporting Principles	YPO commits itself to:
	(e) Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.
4.2 Having good-quality information, advice and support to ensure that services are delivered effectively and are what the customer wants/needs.	(a) Ensure that those making decisions for YPO are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.
	(b) Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.
4.3 Ensuring that an effective risk management system is in place.	(a) Ensure that risk management is embedded into the culture of YPO, with Members and managers at all levels recognising that risk management is part of their jobs.
	(b) Ensure that effective arrangements for whistle blowing are in place to which Members, staff and all those contracting with or appointed by YPO have access.
4.4 Using their legal powers established under the Joint Committee to the full benefit of stakeholders.	(a) Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine, but also strive to utilise their powers to the full benefit of their stakeholders.
	(b) Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on YPO by public law.

Supporting Principles	YPO commits itself to:
	(c) Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures and decision-making processes.

Core Principle 5

Developing the capacity and capability of Members and Officers to be effective

Supporting Principles	YPO commits itself to:
5.1 Making sure that Members and Officers have the skills, knowledge, experience and resources they need to perform well in their roles.	(a) Provide induction programmes tailored to individual needs and opportunities for Members and Officers to update their knowledge on a regular basis.
5.2 Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.	(a) Assess the skills required by Members and Officers and make a commitment to develop those skills to enable roles to be carried out effectively.
	(b) Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.
	(c) Ensure that effective arrangements are in place for reviewing the performance of the Executive as a whole and of individual Members and agreeing an action plan, which might, for example, aim to address any training or development needs.

Supporting Principles	YPO commits itself to:
5.3 Encouraging new talent for membership of YPO so that best use can be made of individuals' skills and resources in balancing continuity and renewal.	(a) Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the organisation.
	(b) Ensure that career structures are in place for Members and Officers to encourage participation and development.

Core Principle 6

Engaging with customers and member authorities to ensure robust public accountability.

Supporting Principles	YPO commits itself to:
6.1 Exercising leadership through a robust scrutiny function, which effectively engages customers and stakeholders, including partnerships and develops constructive accountability relationships.	(a) Make clear to themselves, all staff and their customers to whom they are accountable and for what.
	(b) Produce an annual report.
6.2 Taking an active and planned approach to dialogue with and accountability to customers and elected members	(a) Ensure clear channels of communication are in place with customers and other stakeholders, and put in place monitoring arrangements and ensure they operate effectively.
	(b) Hold meetings in public unless there are good reasons for confidentiality.
	(c) On an annual basis, publish a performance plan giving information on YPO's, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in

Supporting Principles	YPO commits itself to:
	the previous period.
	(d) Ensure that YPO as a whole is open and accessible and ensure that it has made a commitment to openness and transparency in all its dealings subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.
6.3 Making best use of human resources by taking an active and planned approach to meet responsibility to staff.	(a) Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision-making.

4. Annual Review and Reporting

- 4.1. Each year YPO will carry out a review of its Governance arrangements to ensure compliance with this Code, the delivery of Good Governance within the Local Government Framework and current good practice. The purpose of the review will be to provide assurance that governance arrangements are adequate and operating effectively or to identify action, which is planned to ensure effective governance in the future.
- 4.2. The outcome of the review will take the form of an Annual Governance Statement prepared on behalf of the Management Committee and MD. It will be submitted to the Audit Sub-Committee for consideration and review.
- 4.3. The preparation and publication of the Governance Statement will meet the statutory requirement of the Accounts and Audit (England) Regulations 2011 that requires YPO to “conduct a review at least once in a year of the effectiveness of its system of internal control” and to approve an annual governance statement, prepared in accordance with proper practices in relation to internal control. As such the Governance Statement will be prepared in accordance with the timetable in preparation of financial statements in accordance with the Accounts and Audit (England) Regulations 2011.

DRAFT

The Buying Power behind the Public Sector





**YPO
AUDIT SUB COMMITTEE**

**TO BE HELD ON
8th FEBRUARY 2013**

TITLE: INTERNAL AUDIT – ANNUAL REPORT – JANUARY TO DECEMBER 2012

REPORT OF: REPORT OF THE s151 OFFICER

1 PURPOSE OF REPORT

1.1 To present:

- The draft Annual Audit Report (see attached Appendix A) for 2012, in line with the requirements of the Internal Audit Protocol and the CIPFA Code of Practice for Internal Audit in the United Kingdom 2006.
- An Internal Audit Progress report covering work done in the final quarter of 2012 (see Appendix B).

1.2 To receive the following Internal Audit Opinion (extract from YPO Annual Governance Statement [AGS] 2012):

“From the work undertaken by Internal Audit during 2012, key internal controls were found to be adequate to manage associated risks to an acceptable level, with no significant errors, losses or omissions identified. Senior management within the Organisation continued to strengthen the overall governance framework, including residual areas previously identified from audit work as requiring improvement. To this end significant further progress has been made in updating a number of key policies and procedures, acknowledging that this is an ongoing process. Consequently there are no new key control improvements requiring including in Section 5 of the 2012 AGS based on the outcomes of Internal Audit work.”

2 RECOMMENDATION

- 2.1 That Members consider and comment on the Annual Report attached at Appendix A, prior to it being forwarded to Management Committee for formal acceptance.
- 2.2 That Members comment on and endorse the Internal Audit Progress report attached as Appendix B to this report.

3 BACKGROUND INFORMATION

- 3.1 The Annual Report, which has been produced in line with the CIPFA Code of Practice for Internal Audit, is attached at Appendix A. It presents the Service

Manager – Internal Audit & Risk’s opinion on the overall adequacy and effectiveness of YPO’s internal control environment, based on the outcomes of audit work undertaken.

- 3.2 The quarter 4 Progress Report, included as Appendix B, is presented for consideration by Audit Sub-Committee in line with agreed protocols for periodically keeping Members updated on issues arising from Internal Audit work.
- 3.3 Members’ attention is also drawn to a separate report forming part of the agenda, which provides further detail of management actions in addressing recommendations arising from Internal Audit work.

4 FINANCIAL IMPLICATIONS

- 4.1 There are no specific financial implications associated with this report. The programme of audit work during 2012 was completed at a cost to YPO of £64,400, which was in line with the original Annual Audit Plan agreed by Members.

5 RISK MANAGEMENT IMPLICATIONS

- 5.1 Internal Audit’s continued involvement in assessing YPO’s risk management mechanism assists in the proper identification and treatment of key areas of risk. Implementation of agreed audit recommendations by management further reduces areas of risk in service delivery.
- 5.2 In line with the terms of reference for the Audit Sub-Committee, consideration of this report contributes to fulfilling its assurance role, in the ongoing review of internal controls and overall risk management arrangements.

CONTACT OFFICERS:

Judith Badger, Director of Finance & Property (Wakefield Council)
Telephone No: 01924 305388
Fax No: 01924 306426
E-mail address: jbadger@wakefield.gov.uk

Alan Till, Service Manager – Internal Audit & Risk (Wakefield Council)
Telephone No: 01924 302364
E-mail address: atill@wakefield.gov.uk

Carl Tweed, Audit Manager (Wakefield Council)
Telephone No: 01924 306054
E-mail address: ctweed@wakefield.gov.uk

Internal Audit Annual Report

YPO

January to December 2012

INTRODUCTION

1. This annual report is produced in line with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 and covers the period January to December 2012. The report feeds back progress and outcomes against the Annual Audit Plan for the period.
2. Members should note that the programme of internal audit work was completed in line with the allocation of days recorded in the original Annual Audit Plan. Any ongoing audit work as at the 31st December 2012 has been included within the Plan for January to December 2013, in line with arrangements agreed with YPO management.

SUMMARY AUDIT OPINION

3. Wakefield Council Internal Audit's overall opinion on the systems of internal control at Yorkshire Purchasing Organisation (YPO) during 2012, which will be included in YPO's 2012 Annual Governance Statement (AGS), is as follows:

"From the work undertaken by Internal Audit during 2012, key internal controls were found to be adequate to manage associated risks to an acceptable level, with no significant errors, losses or omissions identified. Senior management within the Organisation continued to strengthen the overall governance framework, including residual areas previously identified from audit work as requiring improvement. To this end significant further progress has been made in updating a number of key policies and procedures, acknowledging that this is an ongoing process. Consequently there are no new key control improvements requiring including in Section 5 of the 2012 AGS based on the outcomes of Internal Audit work."

INTERNAL AUDIT PERFORMANCE

4. In respect of the performance of the Internal Audit Service, all of the planned work for the period January to December 2012 was substantially completed by the end of December 2012 in line with the days originally agreed.
5. Internal Audit work has been undertaken in consultation with External Audit. When External Audit undertakes its work to provide assurance that the accounts are not materially mis-stated, it refers to Internal Audit's work on main financial systems. In respect of 2012, External Audit concluded that the quality and scope of Internal Audit's work is sufficient to contribute positively to YPO's overall control environment and to allow them to place reliance on the work.
6. In order to comply with the requirements of the Accounts and Audit Regulations 2011, an annual review of the effectiveness of the Internal Audit Service is carried out by a Wakefield Council senior officer group. Their latest review is due to be reported to Wakefield Council's Audit Committee in February 2013. The review concludes that overall Internal Audit is effective, with no significant issues impacting upon the ability of the service to operate in accordance with the requirements of the 2006 CIPFA Code.

- 7 All Internal Audit work is subject to a quality control process, including formal review of work by the appropriate level of audit management. Sample checking of the quality assurance process by the Service Manager – Internal Audit & Risk also takes place.
8. 6 client satisfaction surveys were issued following completion of the 7 audit assignments referred to in Table 1 below. 4 were completed and returned, 3 with an overall opinion of 'Very Good' and 1 with an overall opinion of 'Good', thus achieving the current target of 95% Good / Very Good.

SUMMARY OF AUDIT WORK COMPLETED AND RELATED OPINIONS

9. This section of the report provides details of how Internal Audit has assisted management in fulfilling their responsibilities for operating effective systems of internal control through the provision of audit reviews and agreed action plans. The Audit Sub-Committee receives detailed information and provides challenge to management relating to audit reviews resulting in Partially Effective / Ineffective opinions, or where opinions decrease from one audit to another relating to the same system.
10. Table 1 attached shows audit work reported during the period January to December 2012, including work related to completing audit reviews in progress at the 31st December 2011. In summary the outcomes of Internal Audit work reported upon are:

AUDIT REVIEWS				
TOTAL REPORTS	FULLY EFFECTIVE	MOSTLY EFFECTIVE	PARTIALLY EFFECTIVE OR INEFFECTIVE	MOSTLY IMPLEMENTED
14*	11	2	0	1

*NB: The outcomes of Internal Audit work on 8 main financial systems were detailed in a composite report.

11. In addition to the audits reported upon, as summarised above and in Table 1, Internal Audit resources were utilised in the period to 31st December 2012 within the following areas of activity:
 - 11.1 Continued input into the ongoing improvement of governance within YPO.
 - 11.2 Producing reports for, and attending, YPO Committee meetings.
 - 11.3 Input in an advisory capacity to the production of the Annual Governance Statement (AGS) 2012.
 - 11.4 Input to new systems / initiatives being developed, namely improving management information capability and Customer Relationship Management development.

11.5 Ongoing audits on Anti-Fraud and Bribery Arrangements, Strategic Risks – Risk Management Process, Data Quality, Supply Chain and Framework Contracts. Completion of these audits was the first priority in the new audit year and it should be noted that during January 2013 reports were issued in respect of:

- Data Quality
- Supply Chain
- Strategic Risks – Risk Management Process
- Anti-Fraud & Bribery Arrangements

12. Positive outcomes of audit work undertaken in 2012 include:

12.1 Overall, YPO main financial systems were found to be operating to the required level of control. There have been improvements since 2011 in Asset Management and Payroll. All main financial systems, with the exception of Stock Control, have been assessed as “fully effective”.

12.2 Detailed audit testing found no instances of fraud and bribery. Procedures are well documented and, within the areas subject to audit testing, systems were being adhered to, thus ensuring that the risk of fraud and bribery occurring is reduced.

12.3 By the first quarter of 2012, significant progress had been made in reviewing and updating policies and procedures within the Human Resources environment, as well as the training and development of managers and staff on Human Resources-related matters.

13. Some matters requiring action were identified from Internal Audit work in 2012, including:

13.1 Acknowledging that there have been significant improvements since 2011 in Stock Control, audit work did identify some issues around the security of the locked aisles which are now being addressed by YPO management.

13.2 Although audit testing did not identify any significant issues relating to data quality, there would be benefits for the Organisation in introducing a more structured approach (for example, a Data Quality Policy and a mechanism for making staff aware of their responsibilities).

13.3 Some suppliers are not always meeting the agreed lead time from YPO order to delivery. This has a knock-on effect on the success of YPO orders being completed in full to the customer and causes unnecessary expense in having to redeliver.

14. Internal Audit will continue to allocate resources to the above areas as necessary during 2013, in both support / consultancy and independent assurance roles, in order to ensure that all key improvement areas are addressed in advance of the 2013 Annual Governance Statement and Audit opinion being formulated.

15. Progress in implementing audit recommendations is monitored by the Audit Sub-Committee. They receive regular progress reports from Internal Audit. In addition, the Audit Sub-Committee also receives regular reports from YPO management providing an update on progress made in implementing all audit recommendations.

TABLE 1**SUMMARY OF INTERNAL AUDIT REPORTS ISSUED DURING 2012**

Review Area / Report Date	Previous Audit Opinion	Current Audit Opinion
Audit Commission's Annual Governance Report 2010 – Follow Up – 16/01/12	N / A	MOSTLY IMPLEMENTED
Human Resources – 11/01/12	POOR (3/03/09) / MOSTLY IMPLEMENTED (FOLLOW UP) (26/03/10)	FULLY EFFECTIVE
Energy Contracts – 18/05/12	N / A	FULLY EFFECTIVE
Logistics – 17/05/12	MOSTLY EFFECTIVE (TRANSPORT COSTS) (22/01/10)	FULLY EFFECTIVE
Marketing – 2/05/12	MOSTLY EFFECTIVE (SALES AND MARKETING) (8/07/10)	MOSTLY EFFECTIVE
Stock Control – 31/10/12	MOSTLY EFFECTIVE (8/12/11)	MOSTLY EFFECTIVE
Main Financial Systems (Excluding Stock) – 14/12/12 - Asset Management - Budgetary Control - Business Debtors - Non-Business Debtors - Main Accounting	MOSTLY EFFECTIVE (16/09/11) FULLY EFFECTIVE (6/12/11) FULLY EFFECTIVE (26/09/11) FULLY EFFECTIVE (26/09/11) FULLY EFFECTIVE (20/10/11)	FULLY EFFECTIVE FULLY EFFECTIVE FULLY EFFECTIVE FULLY EFFECTIVE FULLY EFFECTIVE

Review Area / Report Date	Previous Audit Opinion	Current Audit Opinion
<ul style="list-style-type: none"> - Ordering and Creditors – Business Creditors 	FULLY EFFECTIVE (24/11/11)	FULLY EFFECTIVE
<ul style="list-style-type: none"> - Ordering and Creditors – Working Expenses and Hired Carriers 	FULLY EFFECTIVE (24/11/11)	FULLY EFFECTIVE
<ul style="list-style-type: none"> - Payroll 	MOSTLY EFFECTIVE (19/09/11)	FULLY EFFECTIVE

APPENDIX B

INTERNAL AUDIT PROGRESS REPORT – OCTOBER 2012 TO JANUARY 2013

1. 4 Internal Audit reports have been issued since the last Internal Audit Progress Report was discussed at the YPO Audit Sub-Committee on the 19th October 2012, as shown below:

Report	Audit Opinion In Report / Main Messages In Report	Actions Taken By YPO
<p>Stock Control – 31/10/12</p>	<p>Mostly Effective</p> <p>(The previous audit opinion in 2011 was “mostly effective”)</p> <p>There have been significant improvements made in a number of areas since the previous audit.</p> <p>However, a couple of key areas for improvement were identified:</p> <ul style="list-style-type: none"> • The identified additional features of the Add-One system are being under-utilised. • Security breaches are occurring regarding locked aisles and some staff are taking bags into the stock locations. 	<p>Based on information provided by YPO, the position as at the end of January 2013 is:</p> <ul style="list-style-type: none"> • Additional training to take place to enable the additional identified features of the Add-One system to be fully utilised. (To be completed by the end of January 2013) • Written procedures in place and notices placed near locked aisles. • A business case to be put to the YPO Board to determine the location of all lockers, including the purchase of a number of new lockers. (To be completed by the end of August 2013) • A “stop and search” policy will not be pursued as it is not a high enough risk area.
<p>Main Financial Systems (Excluding Stock) – Asset Management – 14/12/12</p>	<p>Fully Effective (Asset Management; Payroll)</p> <p>(The previous audit opinion in 2011 was “mostly effective”)</p> <p>Fully Effective (Budgetary Control; Business Debtors; Non-Business Debtors; Main Accounting; Ordering and Creditors – Business Creditors; Ordering and Creditors – Working Expenses and Hired Carriers)</p>	<p>The action plan is not due to be returned until the 15th February 2013.</p>

Report	Audit Opinion In Report / Main Messages In Report	Actions Taken By YPO
	<p>(The previous audit opinion in 2011 was “fully effective”)</p> <p>No areas for significant control improvement were identified and risks were being managed to the level required within each area subject to review. The audit did identify some areas, relating to Asset Management, Non-Business Debtors, Ordering and Creditors – Working Expenses & Hired Carriers and Payroll, where minor control improvements could be made to enhance the existing controls.</p>	
Data Quality – 7/01/13	<p>Mostly Effective</p> <p>The audit did not identify any significant issues relating to the accuracy, validity, reliability, timeliness, relevance and completeness of data. However, the main issue arising from the audit is the need for a structured approach to data quality (for example, a Data Quality Policy and a mechanism for making staff aware of their responsibilities).</p>	The action plan is not due to be returned until the 4 th March 2013.
Supply Chain Operations – 18/01/13	<p>Mostly Effective</p> <p>Suppliers examined as part of the review are not always fulfilling their obligations in meeting lead times from order to delivery.</p>	The action plan is not due to be returned until the 8 th March 2013.

2. 5 Internal Audit reports were issued during the period January to September 2012:

- Energy Contracts – 18/05/12
- Logistics – 17/05/12
- Marketing – 2/05/12
- Audit Commission’s Annual Governance Report 2010 Follow Up – 16/01/12
- Human Resources – 11/01/12

These were discussed at the YPO Audit Sub-Committee on the 19th October 2012. The current position on implementing the agreed actions in these reports is recorded in a separate Audit Sub-Committee report produced by YPO management outlining progress made in implementing audit recommendations.

3. In addition to the 4 reports summarised in paragraph 1 above, the following Internal Audit work was ongoing during the period October 2012 to January 2013, with reports to be issued where appropriate in due course:
 - 3.1 Improving management information capability. (A new system / initiative which will continue to be developed during 2013).
 - 3.2 Customer Relationship Management development. (A new system / initiative which will continue to be developed during 2013).
 - 3.3 Anti-Fraud and Bribery Arrangements. (The draft report was discussed in January 2013)
 - 3.4 Strategic Risks – Risk Management Process. (The draft report was discussed in January 2013).
 - 3.5 Framework Contracts. (This audit is ongoing).
 - 3.6 Provision of support to YPO Committee function.
 - 3.7 Liaison and advice relating to governance / control issues.
4. The main emphasis of Internal Audit's work up to the end of March 2013 will be:
 - 4.1 Completion of the audits on Anti-Fraud and Bribery Arrangements, Strategic Risks – Risk Management Process and Framework Contracts referred to in paragraph 3 above.
 - 4.2 Input to new systems / initiatives being developed in 2013 (improving management information capability and customer relationship management development).
 - 4.3 Marketing Follow Up.
 - 4.4 Continued input to reports for consideration by YPO Committees.



**YPO
AUDIT SUB COMMITTEE**

**TO BE HELD ON
8TH FEBRUARY 2013**

TITLE: RISK REGISTER UPDATE – Q4 TO 31ST DECEMBER 2012

REPORT OF: RISK AUDIT & ASSURANCE OFFICER

1. PURPOSE OF REPORT

- 1.1. To provide Audit Sub-Committee with assurance that work is progressing in managing and reviewing strategic and operational risk.

2. BACKGROUND INFORMATION

- 2.1. A risk register is a documented record of the risks faced by an organisation including an assessment of the level of risk, details of the controls currently in place, details of additional controls that are required and details of the owner of the risk.
- 2.2. Reviews of the YPO risk register are regularly reported to the Board and Audit Sub-Committee, the last report having been placed before Board in January 2013 and Audit Sub-Committee in October 2012.
- 2.3. The Strategic Risk Register details risks to the achievement of the organisations strategic objectives. A full review of the Strategic Risk Register was carried out during the fourth quarter of 2012 with no changes being made to the register during this period.
- 2.4. The Operational Risk Registers detail risks to the achievement of operational objectives. A full review of the Operational Risk Registers was carried out during the fourth quarter of 2012. During this period the risk ratings of four operational risks decreased.

3. STRATEGIC IMPLICATIONS

- 3.1. None.

4. FINANCIAL IMPLICATIONS

- 4.1. None.

5. LEGAL IMPLICATIONS

- 5.1. None.

6. EQUALITY IMPLICATIONS

6.1. None.

7. RISK IMPLICATIONS

7.1. This is an update on a procedure supporting the governance of the organisation. Thus accepting the report does not in itself pose any risk to the organisations well-being.

8. RECOMMENDATION (S)

8.1. That Audit Sub-Committee note the progress made and consider and comment upon the management of risk.

CONTACT DETAILS:

SERVICE DIRECTOR: Ian Knowles, Corporate Director

CONTACT OFFICER: Diana Wright, Risk Audit & Assurance Officer

Telephone No: 01924 834984

E-mail address: diana.wright@ypo.co.uk

APPENDIX (CES):

None.

Exempt Information by virtue of paragraph(s) 1, 2, 5
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

Exempt Information by virtue of paragraph(s) 1, 2, 5
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

Exempt Information by virtue of paragraph(s) 1, 2, 5
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

Exempt Information by virtue of paragraph(s) 1, 2, 5
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

Exempt Information by virtue of paragraph(s) 1, 2, 5
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

Exempt Information by virtue of paragraph(s) 1, 2, 5
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

Exempt Information by virtue of paragraph(s) 1, 2, 5
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

Exempt Information by virtue of paragraph(s) 1, 2, 5
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

Exempt Information by virtue of paragraph(s) 1, 2, 5
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

Exempt Information by virtue of paragraph(s) 1, 2, 5
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

Exempt Information by virtue of paragraph(s) 1, 2, 5
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

Exempt Information by virtue of paragraph(s) 1, 2, 5
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

Exempt Information by virtue of paragraph(s) 1, 2, 5
of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted