

**Annual Governance Statement
2013**

Document Control Page

Document Type	Statement	
Document Ownership	Corporate Governance	
Title of Document	Annual Governance Statement 2013	
Status	Draft	
Reference number	STA/FN053/v0.1 draft	
Controlled by	Managing Director	
Created/ reviewed by / date:	Managing Director	19/12/2013
Agreed by / date:	Audit Sub-Committee	7/02/2014
Checked for compliance with contract standing orders and financial procedures / date:	N/A	
Agreed with Unison / date:	N/A	
Approved by / date:		
Maintained by	Financial Accountant	
Publication date	February 2014	
Next Review date	December 2014	
Current Version	20140115	
Distribution	Public / Website	
Replaces document	Annual Governance Statement 2012	

Annual Governance Statement 2013

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

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 2013 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 2013, 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 principles 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 Managing 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 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.

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

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

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

3.1.30 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 2013 is as follows:

"From the work undertaken by Internal Audit during 2013, key controls were found to be adequate to manage associated risks to the required level, with no significant errors; losses or omissions identified. Senior Management has continued to strengthen overall governance arrangements throughout the year, including implementing audit recommendations to improve any areas of control weakness identified from individual Internal Audit reviews. Consequently there are no new key control improvements arising from Internal Audit work that require inclusion in Section 5 of the 2013 AGS".

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 are KPMG. Summarising the findings of their 2012 Audit KPMG in June 2013 offered the following opinion:

"We concluded that the Organisation has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. "

We issued an unqualified opinion on the Organisation's accounts on 26 April 2013. This means that we believe the accounts give a true and fair view of the financial affairs of the Organisation and of the income and expenditure recorded during the year, and that they have been prepared properly in accordance with the

CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.”

“There were no matters to report in respect of our review of the Annual Governance Statement for compliance with the Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007.”

“There were no significant matters which we were required to report to ‘those charged with governance’.”

- 4.1.5 In 2013 the Management Committee received and approved a number of reports and policies along with agreeing the 2014 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 throughout 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 2013. 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.
- 4.1.9 Member and officer training was carried out throughout 2013. 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.

5 Significant Governance Issues

- 5.1 In considering the significant internal control issues contained within the 2012 AGS, it is noted that the following enhancements have been made during 2013: The references below – e.g. AGS 2012 5.2.1, refer to the pertinent section of the 2012 AGS report.

5.1.1 AGS 2012 5.2.4: 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).

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 which together with information on the role of the Management committee is available on the YPO website

5.1.2 AGS 2012 5.2.5: 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 and 2012 Assurance Statement is detailed in sections 5.1 and 5.2 of the 2013 AGS.

5.1.3 AGS 2012 5.2.7 : Review the organisations existing business continuity arrangements in order to improve the organisations resilience.

A Business Continuity Policy, Risk Assessment and Incident Management Plan were produced during 2012. Formal training has been provided to members of the Senior Management Team. A Business Continuity Plan has been produced and successfully tested in 2013. ICT are on course to implement full disaster recovery facilities in January 2014.

5.1.4 A recommendation in the Audit Commission's 2011 Annual Letter R3, was to "Ensure that debt management procedures are effective and appropriate to manage the risks of a changing customer.

A Debt Management Policy has been introduced in 2013.

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

5.2.1 *AGS 2012 5.2.1: 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 project commenced in 2013 to develop a corporate social responsibility policy, and throughout 2014 this project will continue with a core group looking at YPO's longer term CSR strategy whilst smaller groups will focus on environmental issues, employment and community to further develop our ethical standards and contribution to the local community.

5.2.2 *AGS 2012 5.2.2: Quality Standards (ISO 9001): YPO was committed to securing this standard by December 2010. This has not been achieved and in 2014 YPO will be assessing this particular standard and other quality standards to determine the value to YPO of accredited quality management systems.*

YPO now has a three-strong quality team, which is working on developing a QMS, starting with critical processes to assure product compliance. A new version of ISO 9001 will be published in 2015, and it is likely that YPO would wait to see any changes in the new edition before deciding whether to seek accreditation. This is planned for mid-2014. In the meantime, in-house quality audit will be introduced next year, to ensure that the new procedures are embedded and adhered to by staff, as they are implemented.

5.2.3 *AGS 2012 5.2.3: Increase the organisation's knowledge of product liability, especially in relation to own brand products and low cost country sourcing.*

YPO has taken steps to increase in-house capacity on compliance with legislation around the products we supply. This has included training around Food Safety and HACCP for a range of staff dealing with food products. A Product Assurance Officer has been appointed to the Quality Team, who has experience of global sourcing and educational supplies, to provide advice and support to buyers and the global sourcing manager and standardise the approach to compliance. A process has been developed for the introduction of new products, including the storage of master product data, such as specifications and test certificates, in STEP. This will make it easier to locate relevant information and identify requirements prospectively. YPO has contracted for a test partner to undertake factory audit, product testing and pre-shipment inspection, to provide assurance of compliance, particularly in relation to globally-sourced products. The chosen partner can also provide further training and support with range reviews.

5.2.4 *A recommendation in the Audit Commission's 2011 Annual Letter R5 stated, "Ensure the cost and resource implications for all parts of the Organisation are understood in all business planning decisions".*

Work has continued in 2013 as part of business planning to further understand the relationship between different systems and the impact of business decisions on associated systems, this has been aided by the restructuring of the Senior Leadership Team (SLT) and the Programme of IT development work which is currently been worked on

5.2.5 *2012 AGS 5.2.6: 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 2013 and continue to 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 and has made significant improvements during 2013 however it is recognised that the operational decision making process needs to demonstrate they have considered risks and this is an area that requires further development in 2014.

5.3 The AGS and supporting documentation provided evidence of improvements in YPO's governance arrangements in 2013. In 2014 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 2013 Assurance Statements, not being dealt with as part of progressing issues recorded in 5.2 above.

Changes to relevant legislation affecting YPO and recommendations for action to be taken is provided by, YPO's legal advisers.

5.3.2 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

Item 7 Appendix 1

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

