

**Welcome to Yorkshire**

**Expenses Investigation:  
Key findings and  
recommendations**

**Report Dated:  
12 July 2019**

*In accordance with instructions from Welcome to Yorkshire, confirmed in our engagement letter dated 3 May 2019, BDO LLP have prepared this report for our client Welcome to Yorkshire. BDO LLP does not accept or assume any responsibility to any party other than Welcome to Yorkshire. If any other party chooses to rely on the contents of this report, they do so entirely at their own risk.*



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## GLOSSARY

| Term                   | Definition   |
|------------------------|--|
| Board                  | The board of directors of WtY.   |
| BDO, “we” or “us”      | BDO LLP.   |
| Clarion Investigation  | Clarion Solicitors Limited is conducting a separate investigation into culture and governance at WtY.                          |
| Chair                  | The Chair of the WtY board.  |
| Expenses Investigation | The BDO investigation into the expense claims of members of the current and former Board and WtY’s SMT for the past six years. |
| expenses policy        | WtY’s Sustainable Travel and Subsistence Policy dated October 2016.  |
| FYXX                   | Financial year ended 31 March XX.  |
| Report                 | Key findings and recommendations (this document).  |
| SMT                    | WtY’s senior management team.  |
| The Expenses           | Collective expenses of WtY’s SMT and the Board which have been reviewed by BDO.  |
| The Investigations     | The independent investigations of BDO and Clarion Solicitors Limited.  |
| WtY                    | Welcome To Yorkshire Limited.  |

## 1 INTRODUCTION AND TERMS OF REFERENCE

### Background to this engagement

- 1.1 BDO LLP were engaged by Welcome To Yorkshire Limited (“WtY”) to conduct an investigation in respect of expense claims made by current and recent members of WtY’s senior management team (“SMT”)<sup>1</sup> and its board of directors (“the Board”) (collectively, “the Expenses”).

### Objective of this engagement

- 1.2 The Board of WtY commissioned two independent investigations (“the Investigations”) covering:
- (a) The expense claims of members of the current and former Board and WtY’s SMT for the past six years (“Expenses Investigation”); and
  - (b) The governance and culture at WtY, which is being undertaken by Clarion Solicitors Limited (“Clarion Investigation”).
- 1.3 Our engagement and this key findings and recommendations document (“Report”) deals only with the matters pertaining to the Expenses Investigation.

### Scope of the engagement

- 1.4 Our scope is set out in the following terms of reference:
- (a) Undertake a review of expense claims made by WtY’s senior management team and Board members for a six year period i.e. for FY14 to FY19;
  - (b) Establish the classification of, and the rationale for, such expenses (by reference to the information and evidence noted in (e) below);
  - (c) Review policies, procedures and governance matters in relation to expenses and where necessary, feedback with recommendations for improvement;
  - (d) Review minutes of WtY’s committees, particularly in relation to expenses;
  - (e) Review relevant hard and soft copy documents in respect of expense claims and conduct interviews with specific members of staff, the Board and other parties; and

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<sup>1</sup> For the purposes of the Expenses Investigation, the SMT is made up of seven members of staff.

- (f) Report our findings and, in undertaking the above, apply an appropriate level of challenge and scepticism to the evidence available.

### **Preparation of this report**

- 1.5 This report has been prepared for WtY and contains a summary explanation of our key findings based on the results of the work which we have undertaken<sup>2</sup> during the Expenses Investigation. We have presented these findings to the Board.
- 1.6 Our work specifically focussed on our instructions as set out in our terms of reference at paragraph 1.4 above.
- 1.7 In preparing this report, we respected requests for anonymity by those who have provided information and explanations in respect of the Expenses Investigations. Therefore, wherever possible, we have referred to themes or generic terms in order to avoid specific individuals and/or entities being identified.
- 1.8 The issues highlighted in this report are based on the results of the review of hard copy and electronic documentation that have been provided to us, together with interviews with current and former employees, Board members and third parties.

### **Restrictions on use**

- 1.9 This report has been prepared solely for the use of WtY and its legal advisers. This report has been prepared for that purpose alone and is intended solely for the use of WtY.
- 1.10 We note that WtY may wish to publicise this report in whole or part. However, BDO neither owes nor accepts any duty to any WtY employee, officer or third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report. If others choose to rely on the contents of this report, they do so entirely at their own risk.
- 1.11 BDO will not accept liability to any party other than WtY arising out of or in connection with this report.

### **Limitations of our work**

- 1.12 For the purposes of proportionality and expediency this report has been prepared without reference to, or contribution from, certain WtY employees (past and present), members or third parties. Therefore, we reserve the right to amend any part of this report should new information come to light which was not available to us at the time of writing. The Board acknowledges this.

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<sup>2</sup> We outline the work which we have undertaken at Section 4 below.

### Structure of this report

1.13 Our report is structured as follows:

- (a) At Section 2, we set out our executive summary;
- (b) At Section 3, we set out the background;
- (c) At Section 4, we set out the work undertaken; and
- (d) At Appendix A, we set out our key findings and recommendations.

## 2 EXECUTIVE SUMMARY

2.1 In this section we summarise our key findings.

2.2 These findings are based on the output of our investigative work. It is important to note that we have been unable to test all of our findings with third parties and individuals.

### **The expenses incurred by WtY**

2.3 We have reviewed expenses claims/transactions with a value, in aggregate, of over £900,000 (rounded), across the six year period. As noted below, at paragraph 2.5, we have focussed our investigation only on the last three years. The expense claims/transactions include:

- (a) Credit card expenses;
- (b) Reimbursement expenses;
- (c) Invoices paid directly by WtY<sup>3</sup>; and
- (d) Petty cash.

2.4 We have not reviewed every account ledger for evidence of other expense claims. Therefore we would not necessarily detect any expense claims which were incorrectly posted to the wrong ledger account.

### **Scope**

2.5 Our scope was refined by WtY and we agreed to focus our investigation on the last three years (FY17, FY18 and FY19). Therefore, our findings and recommendations are in response to matters arising from expense claims and invoices reviewed during the latter three years only (FY17, FY18 and FY19).

2.6 The reason for this is that there was a significant increase in the value of expenses across these three years compared to FY16, FY15 and FY14. Being mindful of the costs incurred in reviewing the earlier years, WtY instructed us to focus our reporting on these later years.

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<sup>3</sup> Such invoices relate WtY expenditure which was incurred in relation to WtY staff and SMT. For example, travel and accommodation.

- 2.7 Our review of the reimbursement expenses<sup>4</sup> was conducted on a “by exception” basis, as was our review of petty cash, as we considered that the amounts were not significant (when considered in the context of the total amounts claimed over the six year period).

#### **Key matters arising**

- 2.8 There are certain expenses that we consider to be personal (i.e. not incurred wholly for the benefit of WtY). Of the £900,000 of expenses reviewed, we identified expenses in the sum of £26,000 (rounded), which we consider to be personal<sup>5</sup>. It is arguable that there are additional expense amounts that have both a personal and business element. However, we have been unable to conclude the proportion which may not have been wholly for the benefit of WtY. This is largely due to the following:
- (a) The mix of business and personal contacts at events;
  - (b) The lack of documentary evidence maintained by WtY which meant we were unable to identify always the exact nature, purpose and justification of expenditure; and
  - (c) The lack of a clear and unambiguous entertainment policy.
- 2.9 Our key findings are set out in **Appendix A** to this report together with specific recommendations to address weaknesses highlighted.

#### **Were the expenses claimed reasonable and proportionate?**

- 2.10 We are not in a position to conclude whether the majority of material expense claims were reasonable and proportionate. This is because WtY did not have specific guidelines or policies to govern entertainment expenses. It is a commercial matter for WtY to conclude on whether the amounts claimed can be justified by the level of income that was generated for WtY and/or the contribution to the growth of the wider economy in the Yorkshire Region.

#### **Recommendations**

- 2.11 In recent years WtY has seen significant growth in its profile. The support functions, systems of internal control and governance have not developed at a commensurate rate. We have made specific recommendations based on the matters arising in our work at **Appendix A** and we summarise these recommendations below.

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<sup>4</sup> Reimbursement expenses are those expenses which have been incurred by WtY staff, SMT and the Board and subsequently reclaimed from WtY (“Reimbursement Expenses”).

<sup>5</sup> We are aware that some of these expenses were repaid to WtY.



- 2.12 We recommend that WtY undertakes a thorough review of its governance, culture and procedures in order to make the necessary improvements to its internal controls systems and governance. Specifically, we recommend the following:
- (a) Review the culture of control (i.e. ensuring that the Board takes a lead at setting the “tone at the top” by way of policies and procedures) at the most senior levels;
  - (b) Improve openness and transparency within the Board;
  - (c) Implement comprehensive policies for entertaining/hospitality at events and functions (with reference to those people attending and the business justification for such events and functions) and gifts;
  - (d) Introduce and monitor a staff listening programme and ensure that all staff are aware of the whistle-blowing policy, which we are advised, is already in place;
  - (e) Review the current expenses policy and ensure it includes a requirement that the business justification is disclosed and lists the people at events. Ensure that the policy includes appropriate levels of authorisation for all expenses and is applicable for all staff, SMT and Board members;
  - (f) Test and update the systems, controls and processes in relation to expenses, hospitality, gifts, whistle-blowing and entertainment and update as necessary to ensure they are fit for purpose and operating as intended;
  - (g) Ensure that processes and internal controls are followed and monitored; and
  - (h) Introduce regular training for staff to ensure that they understand why the systems and controls are important, and the content of the policies.
- 2.13 The Board may also wish to consider setting a timeframe for a follow-up report, to inform its stakeholders of the changes and progress made.

### 3 BACKGROUND

- 3.1 WtY was incorporated on 10 February 1994 as Yorkshire and Humberside Tourist Board and was later known as the Yorkshire Tourist Board<sup>6</sup>. The Yorkshire Tourist Board relaunched as WtY in 2009.
- 3.2 According to its website<sup>7</sup>, *“Welcome to Yorkshire has created a fresh, dynamic view of the UK’s largest county with its innovative marketing and PR campaigns, not forgetting its contagious enthusiasm which has garnered fans of Yorkshire from across the globe.”*
- 3.3 WtY is currently funded from both public and private sources, through a range of membership types<sup>8</sup>. Prior to 2011, WtY was primarily public funded by Yorkshire Forward<sup>9</sup>.
- 3.4 WtY has a Non-Executive Board of directors<sup>10</sup>. The day-to-day management of WtY’s circa 50 staff is through the SMT.

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<sup>6</sup> Source: Companies House filings.

<sup>7</sup> (<https://industry.yorkshire.com/about/who-we-are>)

<sup>8</sup> Source: WtY.

<sup>9</sup> Yorkshire Forward was the regional development agency for the Yorkshire and the Humber region.

<sup>10</sup> Source: WtY.

## 4 WORK UNDERTAKEN

4.1 In this section we set out an overview of the work undertaken during the course of our investigation.

### Substantive work

4.2 Our core investigation team comprised four members of staff, overseen by a Partner. We conducted the following work:

- (a) Reviewed expense claims for the Board and SMT:
  - Credit card expenses; and
  - Reimbursement expenses.
- (b) Reviewed petty cash vouchers;
- (c) Reviewed specific accounting records, including:
  - Purchase ledger accounts;
  - Invoices; and
  - Purchase Order requisitions.
- (d) Conducted meetings and interviews with 25 individuals;<sup>11</sup>
- (e) Reviewed WtY's expenses related policies and procedures:
  - Sustainable Travel and Subsistence Policy ("expenses policy"), dated October 2016;
  - The Code of Conduct applicable to the Board, dated May 2015; and
  - Staff Handbook<sup>12</sup>, dated December 2012.
- (f) Reviewed Board, Finance and Audit Committee minutes;
- (g) Reviewed other hard and soft copy documentation, including specific:
  - Ledger accounts and invoices;
  - Personnel documentation; and
  - Emails and calendars.

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<sup>11</sup> We held telephone and face to face meetings with 25 people. In some instances more than one meeting was held.

<sup>12</sup> WtY's current suite of policies and procedures which is provided to new starters. Example policies include, sickness policy, maternity policy and IT usage policy.

### Reporting

- 4.3 Our engagement has involved reviewing the individual expense claims of the SMT and Board of WtY.
- 4.4 For the purposes of reporting, we refer to the SMT and the Board as a collective rather than individually, unless the matter being discussed is specifically relevant to either party.

BDO LLP

12 July 2019

## APPENDIX A

In this Appendix we set out our key findings from work undertaken in relation to the Expenses Investigations.

| Ref                            | Key finding  | Recommendation  |
|--------------------------------|--|---|
| <b>Policies and procedures</b> |  |   |
| 1                              | <p>The Code of Conduct is dated May 2015 and is applicable to the Board. We note that the Code of Conduct states <i>“Welcome to Yorkshire is a company limited by guarantee, funded mainly by public and membership funding. The Board should therefore adopt a code of conduct appropriate for a publicly accountable body”</i>.</p> <p>The Board’s Code of Conduct states, amongst other things, that it should:</p> <ul style="list-style-type: none"> <li>(a) <i>“Observe the highest standards of propriety impartiality, integrity and objectivity in relation to the stewardship of public funds;</i></li> <li>(b) <i>Be accountable to funders, partners, users of services, individual citizens and staff for the activities and stewardship of the company and the extent to which key performance targets and objectives have been met; and</i></li> <li>(c) <i>Maximise value for money through ensuring that services are delivered in the most economical, efficient and economical way, within available resources.”</i></li> </ul> | <p>That the Code of Conduct be applicable not just to the Board but to all WtY’s staff and SMT.</p> |

| Ref | Key finding   | Recommendation  |
|-----|---|---|
| 2   | <p>WtY operates a purchase order system. We have seen evidence of purchase orders being raised on or after the date of the expenditure being incurred, not prior to the actual expenditure.</p>   | <p>WtY should review the procurement systems and controls and ensure that staff are aware of such matters particularly those systems and controls relating to the timing and authorisation of purchase orders prior to the date of expenditure. WtY should ensure the process is adhered to. We are informed by the current Chair of WtY that this recommendation has already been implemented.</p>   |
| 3   | <p>WtY's expenses policy sets out policy limits and guidelines, including approver and authorisation details. The expenses policy is applicable to all staff, including SMT.</p> <p>As noted below at point 14, we have noted instances of expenditure falling outside policy limits.</p> | <p>The expenses policy is circulated to all WtY staff and SMT and recipients should confirm in writing that they have read and understood the expenses policy.</p> <p>The expenses policy and its effectiveness should be continually monitored and updated as appropriate. The expenses policy should be discussed, at least annually, by the Board to ensure continual effectiveness of the expenses policy.</p> <p>WtY should consider introducing an internal audit function.</p> <p>As far as possible, WtY should ensure that the duties of staff are segregated to enhance controls in areas relating to procurement and expenses.</p> |

| Ref | Key finding  | Recommendation   |
|-----|--|--|
| 4   | <p>Guidance is provided in the expenses policy around the type of allowable expenses, limits for subsistence and hotels, and specific guidance on receipts which should be attached to claims forms.</p> <p>In most cases, receipts are attached to claim forms for both reimbursement and credit card expenses. However, in the latter period of our review we noted an increasing number of missing receipts, specifically for credit card expense claims.</p> | <p>The introduction of a ‘missing receipt declaration’ form which requires information such as:</p> <ul style="list-style-type: none"> <li>• Location of purchase;</li> <li>• Business justification for purchase;</li> <li>• Whether another form of receipt / proof of purchase is available and acceptable; and</li> <li>• A signature from the claimant to confirm that the expense is wholly for the benefit of WtY.</li> </ul> <p>That WtY staff, SMT and the Board are made accountable for obtaining valid and appropriate receipts.</p> |
| 5   | <p>There is guidance in the expense policy about WtY reserving the right not to reimburse expenses that fall outside of policy. We have seen evidence of this action being taken.</p>  | <p>That WtY should continue this practice but ensure that it is consistently applied.</p> <p>That the finance director be provided with a report of all missing, late or out of policy expense claims. This should then be reviewed and followed up with individuals as appropriate.</p>   |
| 6   | <p>Paragraph 4 of Section 2 of WtY’s expenses policy states that the most senior WtY person present at an event should settle any expenditure arising.</p>   | <p>The policy should be implemented at all times and continually monitored.</p>  |

| Ref | Key finding  | Recommendation  |
|-----|--|---|
|     | <p>However, we have seen evidence that this is often not the case in relation to travel, subsistence and entertaining expenses.</p>  | <p>Staff, SMT and the Board should receive a copy of the expenses policy and confirm their understanding in writing.</p> <p>In instances where staff and their usual expense approver travel together, or are at the same event, the approver of the expenses should be an alternative and appropriately authorised member of the SMT or the Board.</p>   |
| 7   | <p>We have been told that gifts are, on occasions, offered to WtY staff and SMT. We have been told that such gifts range from alcohol to sports equipment. From our discussions with WtY staff, there is evidence that there is some ambiguity over how gifts should be treated.</p> | <p>WtY should implement clear guidance on what is expected from WtY staff, SMT and the Board when offered gifts. WtY may wish to consider applying limits to gifts. It is for WtY to decide upon appropriate limits. For example:</p> <ul style="list-style-type: none"> <li>• Gifts and/or hospitality with a value of £X and below may be accepted and not documented;</li> <li>• Gifts and/or hospitality with a value between £X and £Y should be declared and approved by the staff member or SMT's line manager; and</li> <li>• All gifts and/or hospitality over £Z must be declined or accepted for auction or donation to WtY's chosen charity. For the avoidance of doubt the gift and/or hospitality should be declared and approved, regardless of whether it is declined or accepted for auction or donation.</li> </ul> |



| Ref | Key finding   | Recommendation  |
|-----|---|---|
|     |   | <p>A gifts and hospitality register should be maintained and monitored. If anyone fails to adhere to this, or any other policy in place at WTY, this could be considered as potential misconduct by the staff, SMT and Board members.</p> <p>The Staff Handbook’s reference to gifts should be reviewed and updated to also include hospitality with reference to the Bribery Act.</p> <p>Bribery Act training should be mandatory for all staff and Board members and should be undertaken annually. All staff and Board members should ensure that they are aware of the consequences and requirements of the Bribery Act and the corporate criminal offence of failing to prevent tax evasion.</p> |
| 8   | <p>We have not seen a copy of WtY’s whistle-blowing policy. Based on the conversations that we have had it was clear that some staff were not aware that such a policy exists. It does not form part of the Staff Handbook.</p> | <p>WtY should review, update and publicise the current whistle-blowing policy to all staff. The effectiveness of the whistle-blowing policy should be reviewed by the Board at least on an annual basis.</p> <p>Best practice would be to provide an independently operated on-line portal and telephone number for whistle-blowers so that they can be confident their anonymity will be protected.</p> <p>Staff should be able to raise issues in relation to such a policy without fear of recrimination or their employment security.</p>   |

| Ref | Key finding | Recommendation  |
|-----|-------------|---|
|     |             | <p>WtY should also implement a staff listening programme. Again, the effectiveness of the staff listening programme should then be reviewed, at least annually, by the Board. Consideration should be given to appointing a staff member to liaise with the Board and, where appropriate, attend Board meetings or parts of those meetings.</p> |

| Ref             | Key finding  | Recommendation  |
|-----------------|--|---|
| <b>Expenses</b> |  |   |
| 9               | <p>WtY previously operated three company credit cards. Two have now been cancelled leaving only one card in operation. The total balance on the three cards was paid in full each month by WtY via direct debit to the credit card provider. Section 9 of the expenses policy states that <i>“credit card statements are issued to the card holders on approximately the 20th of each month. All expenses must be returned to Finance within seven days of receiving the statement.”</i> We have seen evidence of credit card claims being submitted after the seven day deadline.</p> | <p>The expenses policy should be reviewed and circulated to all staff and SMT and every individual should confirm their understanding of the policy.</p> <p>In the instances of late claims and missing receipts, such instances should be investigated immediately by the Finance Director and appropriate action taken to ensure that policies are adhered to. Sanctions should include the potential for claims becoming the responsibility of the staff member and, ultimately, misconduct proceedings.</p> |
| 10              | <p>We have seen evidence of a large proportion of credit card transactions in the latter period of our review not being accompanied by receipts.</p>   | <p>A missing receipt declaration along with associated actions as described above (reference 4) in respect of those missing receipts should be introduced.</p>  |
| 11              | <p>At the time we conducted our work there were three WtY company credit cards in use. All cards, had a credit limit of £8,000.</p> <p>We have been informed that since the commencement of the Expenses Investigation two credit cards have been cancelled (see also point 12 below)</p>  | <p>If future use of company credit cards is considered necessary, then we recommend that credit limits be regularly reviewed to ensure they are appropriate for each credit card holder.</p> <p>Specific policies should also be introduced to cover the use of such credit cards setting out the appropriate use of such facilities and</p>  |

| Ref | Key finding   | Recommendation  |
|-----|---|---|
|     |   | the sanctions that will apply for any misuse of the cards (e.g. personal spending which does not benefit WtY).  |
| 12  | <p>At the time of writing this report, we understand from the Board that only one company credit card is in use, as an ‘office credit card’ which is held by WtY’s Finance Director. This is for expense items such as:</p> <ul style="list-style-type: none"> <li>• Online hotel or travel bookings for staff members. This appears to be when staff bookings need to be paid or guaranteed with a credit card;</li> <li>• Items purchased for events, such as high visibility equipment, prizes, bulk food and beverage;</li> <li>• Office supplies; and</li> <li>• IT equipment, software and hardware.</li> </ul> | <p>All users of the ‘company credit card’ should do so in line with the WtY expenses policy and be pre-authorised by the relevant line manager.</p> <p>WtY should consider a procurement process which reduces the usage of a credit card to a minimum. This would also enable WtY to manage cash flow and payments to suppliers.</p> |
| 13  | We noted a large proportion of company credit card spend which appeared to relate to IT (domain hosting and imagery) and office supplies.   | WtY should procure such items through WtY’s purchasing system, which we consider to be appropriate practice. This would enhance SMT’s ability to monitor spending, assist with authorisation procedures, obtain cost efficiencies and manage cash flow.   |
| 14  | We have seen evidence of expense claims which are outside of policy limits (mainly relating to hotel, food and beverages). However, due to a lack of  | We recommend that WtY implement an entertainment policy that is relevant for and appropriate to the different supporters and  |

| Ref | Key finding   | Recommendation  |
|-----|---|---|
|     | <p>information, it is unclear, in many instances, whether the food and beverage expenses relate to subsistence or entertaining.</p> <p>In the case of the latter, there is no entertainment policy. In the absence of an entertainment policy, it will be difficult for WtY to establish what are reasonable networking costs.</p>  | <p>contacts of WtY. For example, the following stakeholders will have differing expectations of entertaining:</p> <ul style="list-style-type: none"> <li>(a) Y30 members;</li> <li>(b) Members (tourism);</li> <li>(c) Tour Partners; and</li> <li>(d) Public sector funders</li> </ul> <p>We recommend that WtY develop clear guidelines and policies so that an appropriate level of expenditure is incurred.</p>   |
| 15  | <p>We were informed that the individuals present at WtY’s hospitality/events were often current or potential supporters of WtY, funders and/or members. Whilst we have been able to attribute some entertaining expenses to specific meetings and diary entries, there is insufficient information available for us to establish who was present at the events and whether those people were there in a business or personal capacity (or a mixture of both).</p> | <p>We recommend that WtY’s expenses system is updated to allow staff and SMT to enter a business justification (including details of those who were present) for any entertaining related expense claims.</p> <p>This would reduce ambiguity surrounding business and personal contacts going forward.</p> <p>For example, expenditure, and subsequent claims, in relation to entertaining/hospitality should be supported with information relating to:</p> <ul style="list-style-type: none"> <li>• The type of event;</li> </ul> |

| Ref | Key finding   | Recommendation   |
|-----|---|--|
|     |   | <ul style="list-style-type: none"> <li>• The nature of the event;</li> <li>• The date(s) of the event;</li> <li>• The location of the event;</li> <li>• The precise justification of the spending; and</li> <li>• A list of people who attended the event along with their professional position.</li> </ul> <p>By undertaking the above, historical expenditure can be matched to specific events, the reasons and justification of those events and can assist SMT and the Board in reviewing such spend for effectiveness (i.e. a return being generated on the spending) and economies (so that spending can be targeted to ensure maximising returns on that spending).</p> |
| 16  | In the absence of the above, we are unable to establish what, if any, contribution has been gained from these events. | <p>As above, we recommend that WtY's expenses system is updated to allow staff and SMT to enter a business justification (including details of who is present) for any entertaining related expense claims.</p> <p>This should remove ambiguity surrounding business and personal contacts going forward and allow for a calculation and consideration of the return on investment.</p>  |

| Ref | Key finding   | Recommendation  |
|-----|---|---|
| 17  | <p>It is not possible from the expenses data, to establish the direct benefit (to WtY) of the expenditure made at or for a particular networking event (i.e. whether a dinner resulted in a new member or funding).</p> <p>We are aware from those interviewed that there was some concern surrounding the amounts spent on networking. However, we are also aware that one networking event directly contributed to an attendee making a substantial donation to WtY.</p> <p>The issue is that there is no documentary evidence available to determine what an appropriate level of expenditure is, and how the benefits of that spending were accrued nor any evidence to suggest consideration was given to the benefits of the spend. There is no evidence of a limit set on expenses relating to entertaining.</p> | <p>That the Board review, on a quarterly basis, WtY's spend on networking and hospitality and compare this with membership income and other funding.</p> <p>The Chair of WtY has also informed us that WtY will send a quarterly report of expenses claimed by the SMT and Board to certain public sector funders to allow third party scrutiny of such expenses.</p> |
| 18  | <p>We have seen evidence that certain expenses during FY19 have not been signed off by the appropriately authorised individual. For the avoidance of doubt, this does not lead to the conclusion that the expenses were not bona fide and properly claimed. The weakness is that these expenses were not checked or challenged.</p>   | <p>All expenses should be reviewed, challenged where appropriate and signed off by the relevant authorised SMT or Board member.</p> <p>A process of spot checking paid expenses, to monitor compliance, should be introduced as an additional control to ensure that the authorisation of expenses and the associated policy is being adhered to.</p>                 |

| Ref | Key finding  | Recommendation   |
|-----|--|--|
| 19  | <p>There was considerably more expenditure in respect of hotels, restaurants, food and beverages during major events such as the Tour de Yorkshire, Chelsea Flower Show, Ebor Races and Tour de France. Certain expenditure exceeded limits set out in WtY's policies. Given the prestigious status of such events, an increase in entertaining during these periods could be expected and as such, the higher end food and drink expenses may be justified by the need to entertain contacts or existing members/tour partners.</p> | <p>Expense claims and authorisations should be closely reviewed going forward.</p> <p>Policies relating to such spend (i.e. hotels, entertaining and subsistence) should include limits on entertaining and hospitality spending.</p> <p>Policies should be put in place that recognise that prestigious events may necessitate a higher spend on hospitality and other expenditure. However, wherever possible, spending should be anticipated and pre-approved by appropriate SMT and/or the Board. This will assist in controlling such spending.</p> |
| 20  | <p>We noted an increase in the use of luxurious hotels and fine dining restaurants during the most recent periods we examined. Given the increase in WtY's profile and events, and the seniority and roles of some of WtY's guests, there may have been an expectation, on the part of those guests, to receive a certain level of hospitality.</p>  | <p>These should be a closer review and challenge of expense claims and authorisation going forward.</p> <p>Policies should be put in place that recognise that prestigious events and important guests may necessitate a higher spend on hospitality and other expenditure. However, wherever possible, spending should be anticipated and pre-approved by appropriate SMT and/or Board. This will assist in controlling such spending.</p>  |
| 21  | <p>We saw evidence of an inconsistency (this may have been an error) in deducting a personal item from an expense claim. The specific amount was</p>   | <p>The expenses review process should be thorough and authorised by the relevant approver.</p>   |



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| Ref | Key finding  | Recommendation |
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|     | not significant. However, we highlight that this demonstrates a potential lack of an appropriate and thorough review and approval process. |                |

| Invoices |  |  |
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| 22       | <p>We understand from WtY that expenditure was also incurred directly by WtY (for example, in respect of travel and accommodation) i.e. WtY were invoiced by the provider of the services rather than a staff member incurring the expense and subsequently making an expense claim.</p> <p>We note that not all of the invoices reviewed by us were correctly pre-approved or authorised. However, the conclusion is not that the items were of a personal nature, rather that there is a weakness in the system as the expenditure was incurred without proper pre-approval and/or authorisation</p> | <p>WtY's expense and procurement policies, together with guidance on WtY's purchase order system, should be reviewed and updated. The policies should be circulated to all staff and SMT who should confirm their understanding.</p> <p>This process should be undertaken annually and the Board should review the effectiveness and implementation of the policies.</p>   |
| 23       | <p>We have reviewed transactions (i.e. expenses claims, purchase invoices, company credit card spending and petty cash) with a value of over £900,000 (rounded) and of these, we identified £26,000 (rounded) which we consider to be personal i.e. the expenditure incurred appears not to have been wholly for the benefit of WtY.</p> <p>We are aware from our work at WtY, that some of these amounts have been repaid.</p>  | <p>As above, WtY's expense and procurement policies, together with guidance on WtY's purchase system should be reviewed and updated. The policies should be circulated to all staff and SMT who should confirm their understanding.</p> <p>This process should be done annually.</p> <p>WtY should exercise its right to reclaim any personal expenses from staff, SMT or the Board.</p> <p>The recommendations above should be reviewed annually by the Board and should include consideration of the effectiveness and implementation of the policies.</p> |

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| 24 | <p>In addition, we were made aware of a separate matter where the narrative on a purchase invoice, totalling £6,600, did not reflect the service that was provided to WtY. We are aware that this matter was known to WtY, it was investigated at the time and the sum was subsequently repaid to WtY.</p> | <p>As above, WtY's expense and procurement policies, together with guidance on WtY's purchase order system should be reviewed and updated. The policies should be circulated to all staff and SMT who should confirm their understanding.</p> <p>It is vital to ensure that staff undertaking duties in relation to procurement/purchasing are segregated i.e. one person should not be responsible for ordering goods and services, confirming receipt of those goods and services, and authorising the payment.</p> <p>WtY should exercise its right to reclaim any personal expenses from its staff, SMT or the Board as well as considering whether any disciplinary/misconduct proceedings should be brought against the claimant of those personal expenses.</p> |
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| Petty Cash |   |   |
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| 25         | <p>Petty cash is used mainly for small items of expenditure, where a cash payment is required. Cash is issued in relatively small amounts of circa £50-£100 (unless the cash is foreign currency for an overseas trip on WtY business) and a petty cash voucher is created.</p> <p>Based on our review, receipts for cash spending are retrospectively produced and any remaining cash held by the person is repaid into the petty cash 'float'. However, we have seen evidence of instances where petty cash amounts of circa £50 are issued and for which no receipts are retrospectively produced.</p> | <p>We recommend that WtY consider removing the petty cash function and incorporating any necessary expenses within WtY's expenses policy.</p> <p>However, we are informed that this is not practicable as staff of WtY will require small amounts of cash for certain events when working away from WtY's office when sundry expenditure may be incurred.</p> <p>Therefore, we recommend that the controls, systems and processes over petty cash are reviewed and strengthened to ensure that potential losses are minimised and that staff that are given cash are to provide detailed receipts (with sufficient detail to identify precisely the nature of the expenditure) and any remaining petty cash to WtY.</p> |

| The Board  |  |
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| <p>26 We understand that certain Board members were unaware of excessive spending in relation to expenses. Whilst it is accepted that non-executive Board members should not necessarily be involved in the day to day management of WtY (e.g. approving expenditure and expense claims of staff), all Board members should be made aware of:</p> <ul style="list-style-type: none"> <li>• Strategic matters affecting the organisation;</li> <li>• Evidence regarding the operation and effectiveness of internal controls; and</li> <li>• Significant risk incidents and reputational matters.</li> </ul> <p>We were informed that the entire Board was informed of the issues that formed the terms of reference of our investigation during March 2019.</p> <p>We note that, on previous occasions, matters or issues were dealt with by involving only specific sections of the Board and during closed sessions.</p> <p>We also note that WtY’s Board has recruited new members recently and that those new members were unaware of issues relating to expenses.</p> <p>We are aware from conversations and minutes of meetings that SMT members attend Board meetings in their operational capacity, but are not Board members.</p> | <p>Going forward the Board should operative as a collective and when a sub-committee is required for specific matters those sub-committees share the outcome of their work with all of the Board members.</p> <p>The Board may wish to consider whether it would be appropriate to rotate its members and members of committees. For example, there may be maximum periods for members serving on sub-committees or those serving in senior Board positions such as the Chair.</p> <p>The Board may also wish to consider including the SMT as Board members from an operational perspective along with the possibility of a member of staff (not from the SMT) also contributing to Board meetings. Clearly, there may be agenda items where it would not be appropriate for that staff member to be present (for example, when discussing remuneration of staff/SMT), and on these occasions the staff member would leave the meeting.</p> <p>We understand from the Chair of WtY that including SMT as Board members may necessitate changes to the Memorandum and/or Articles of Association of WtY.</p> |

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|  |  | <p>The Board is also responsible for setting the tone of the organisation. This directly influences the culture of WtY. The Board should consider the inclusion of staff in Board meetings and also ensure communication with staff is frequent and detailed (where circumstances permit).</p> <p>We understand from the Chair of WtY that communication with staff has already been considered by the Board and all future Board minutes, agendas and accompanying papers will be published on WtY's website. We assume that matters that are commercially confidential and/or relate to personal data will not be published. We recommend that WtY takes appropriate legal advice in this regard to ensure that WtY does not breach any legislation relation to data.</p> |
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