



**SOUTH YORKSHIRE
PENSIONS
AUTHORITY**

CORPORATE PLANNING AND GOVERNANCE BOARD

AUDIT COMMITTEE FUNCTION

ANNUAL REPORT 2014/15

**Draft agreed by the Corporate Planning and Governance Board on 18
June 2015**

Final version to be presented to the full Authority on 1 October 2015

Foreword

I am pleased to present the Committee's annual report for the period 2014/15 which provides evidence of the arrangements the Authority has in place to monitor, challenge and hold to account those responsible for managing its governance arrangements and the production and approval of its Annual Governance Statement.

Richard Wraith
Chair
Corporate Planning and Governance Board

AUDIT COMMITTEE ANNUAL REPORT 2014/15

CONTENTS	Page
1. Introduction	1
2. Board Information	1 - 2
• Role and Responsibilities	
• Membership	
• Meetings and Attendance	
3. Board Achievements / Outcomes	2 - 3
• Risk Management and Internal Control	
• Internal and External Audit	
• Accounts	
• Working Arrangements	
• Additional Outcomes	
Appendices:	
• Appendix 1 Terms of Reference	4
• Appendix 2 Members and Officer Attendance	5
• Appendix 3 Committee Activity	6

1. INTRODUCTION

This report is prepared for the full Authority and covers the Board's work during the financial year 2014/15 in relation to its audit committee function. It outlines the Board's:

- Role and responsibilities;
- Membership and attendance; and
- Achievements.

2. BOARD INFORMATION

Audit Committee Role and Responsibilities

The Board provides an overview role on all aspects of governance and achieves this by:

- providing a forum for monitoring governance arrangements;
- receiving and discussing monitoring reports from internal and external sources; and
- making recommendations to the Authority for action to address any deficiencies.

The Board performs the core audit committee functions recommended as good practice by the Chartered Institute of Public Finance and Accountancy (CIPFA). These functions are included in the Boards terms of reference which are attached at Appendix 1. Its achievements are considered in Section 3 below.

Board Membership

The Board's membership at the end of March 2015 was:

Councillor R Wraith (Chair)
Councillor E Butler
Councillor S Ellis
Councillor B Lodge
Councillor L Rooney
Councillor P Wootton (Vice-Chair)
Councillor J Wood

Membership changes occurring during the year were as follows:

- Councillor S Ellis replaced Councillor K Goulty
- Councillor B Lodge replaced Councillor M Lawton
- Councillor J Wood replaced Councillor B Ford

Board Meetings and Attendance

The Board held four meetings in the year (June 2014, July 2014, November 2014 and March 2015). The business conducted was in accordance with the work programme which was reviewed at each meeting.

The schedule of Members' and Officers' attendance is attached as Appendix 2. The good practice guidance suggests that the Chief Financial Officer should attend regularly, and that the Monitoring Officer and other senior officers should contribute as appropriate. The actual attendance recorded demonstrates that this was achieved.

3. COMMITTEE WORK PROGRAMME AND OUTCOMES

The Board maintains a work programme for its main areas of activity which is considered at each meeting. The reports received during 2014-15 relating to its audit committee functions are shown in Appendix 3; the outcomes of the Board's work in relation to these are summarised below. The "boxed" bullet points in *italics* are the core functions from the CIPFA guidance; the details below each box identify how the Board has achieved its responsibilities.

3.1 Risk Management and Internal Control

- *Considering the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements.*
- *Seeking assurances that action is being taken on risk-related issues identified by auditors and inspectors.*
- *Being satisfied that the Authority's assurance statements, including the Annual Governance Statement properly reflect the risk environment and any actions required to improve it.*

The Board has:

- Considered regular reports on the corporate risk register and considered the movements in individual risks and their categorisation;
- Received progress reports from the Head of Internal Audit on internal audit matters and from KPMG on external audit issues;
- Considered the results of the review of internal control and internal audit for 2013/14;
- Approved, the Annual Governance Statement 2013/14 including the improvements required in 2014/15;
- Received regular update reports on the Authority's treasury management position;
- Received regular Budget Monitoring reports.

3.2 Internal Audit and External Audit

- *Approving (but not directing) Internal Audit's strategy and plan, and monitoring performance.*
- *Reviewing summary Internal Audit reports and the main issues arising, and seeking assurance that action has been taken where necessary.*
- *Receiving the annual report of the head of Internal Audit.*
- *Considering the reports of external audit and inspection agencies.*
- *Ensuring that there are effective relationships between Internal Audit and external audit, inspection agencies and other relevant bodies, and that the value of the process is actively promoted.*

Internal Audit:

The Board has:

- Agreed the Internal Audit Strategy and Annual Plan for 2014/15;
- Received and considered Head of Internal Audit's Annual Report for 2013/14, including the opinion on the Authority's internal control arrangements;
- Received and considered regular reports from the Head of Internal Audit on the Internal Audit Team's progress against the annual plan, including summaries of the reports issued and management's response.

KPMG (Appointed External Auditor) (see also Accounts below):

The Board has:

- Received reports from KPMG on their Audit Plans for the Authority;
- Received regular progress reports from KPMG
- Approved KPMG's fee for the financial year 2014/15.

3.3 Accounts

- *Reviewing the financial statements, the external auditor's opinion and reports to members, and monitoring management action in response to the issues raised by external audit.*
- *Overseeing the production of, and approving, the Authority's Annual Governance Statement.*
- *Overseeing the production of, and approving, the Authority's Annual Statement of Accounts, focussing on:*
 - *the suitability of, and any changes in, accounting policies;*
 - *major judgemental issues e.g. provisions.*
- *Receiving and agreeing the response to the external auditor's report to those charged with governance on issues arising from the audit of the accounts, focussing on significant adjustments and material weaknesses in internal control reported by the external auditor.*

The Board has:

- Overseen the production of, and approved the Authority's Annual Governance Statement 2013-14;
- Reviewed and approved the Authority's Statement of Accounts 2013/14;
- Received and approved the Audit Commission's Annual Governance Report 2013/14 and agreed the responses to the recommendations made.

3.4 Working Arrangements

Members considered and agreed the Board's Annual Report for 2013/14 which was presented to the full Authority and published on the Authority's website.

The Board revisited the self-assessment of its position against the best practice guidance and considered the extent to which its arrangements remained robust.

CORPORATE PLANNING & GOVERNANCE BOARD

TERMS OF REFERENCE (extract)

- 6) Carrying out the following core audit committee functions:
- a. Consider the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
 - b. Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
 - c. Be satisfied that the authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it.
 - d. Approve (but not direct) internal audit's strategy and plan.
 - e. Monitor performance against Internal Audit's strategy and plan.
 - f. Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
 - g. Receive the annual report of the Head of Internal Audit.
 - h. Consider the reports of external audit and inspection agencies.
 - i. Ensure that there are effective relationships between internal audit and external audit, inspection agencies and other relevant bodies, and that the value of the process is actively promoted.
 - j. Review financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.
 - k. To oversee production of, and approve, the Authority's Annual Governance Statement.
 - l. To review and approve the annual Statement of accounts, focussing on the suitability of, and any changes in, accounting policies; and major judgemental issues e.g. provisions.
 - m. To receive and agree the response to the external auditor's report to those charged with governance on issues arising from the audit of the accounts, focussing on significant adjustments and material weaknesses in internal control reported by the external auditor.

MEMBER/OFFICER ATTENDANCE AT AUDIT COMMITTEE MEETINGS

Member / Officer	June 2014	July 2014	Nov 2014	March 2015
Members				
Councillor R Wraith (Chair)	✓	✓	✓	✓
Councillor P Wootton (Vice-Chair)	✓	✓	✓	✓
Councillor E Butler	✓	✓	✓	✓
Councillor S Ellis	r/a	✓	✓	✓
Councillor B Lodge	✓	r/a	✓	✓
Councillor L Rooney	r/a	✓	✓	✓
Councillor J Wood	x	✓	x	x
Observers				
Kevin Rodgers		o		
Andrew Sangar		o	o	
Brian Webster		o		
Representative Bodies				
Unison – G Boyington	✓	✓	✓	✓
GMB – G Warwick	✓	✓	x	✓
UCATT – F Tyas	✓	✓	x	✓
Officers				
Treasurer (FF)	r/a	r/a (rep)	r/a (rep)	r/a (rep)
Monitoring Officer (AF)	x	✓	r/a	✓
Deputy Clerk (MM)	✓	✓	✓	✓
Head of Internal Audit (RW)	✓	✓	✓	✓
Member Services Representative	✓	✓	✓	✓
Fund Director (JNH)	r/a (rep)	✓	✓	r/a
Head of Finance (BC)		✓	x	x
Head of Pensions Admin (GC)	✓	✓	✓	✓
KPMG Appointed External Auditor				
District Auditor (KPMG)	x	✓	r/a	✓
Audit Manager (KPMG)	✓		✓	✓

Notes:

- Shaded cells = membership not current at the time of the meeting
- ✓ = attended
- r/a = apologies for absence recorded
- o = observer
- rep = sent representative

APPENDIX 3

BOARD ACTIVITY – AUDIT COMMITTEE FUNCTION

Function / Issue	June 2014	July 2014	Nov 2014	March 2015
Risk Management				
Risk Register		Noted	Noted	Noted
Governance and Internal Control				
Review of Internal Control 2013/14			Agreed	
Annual Governance Statement (AGS) 2013/14	Approved			
AGS Improvements Action Plan 2014/15	Agreed			
Treasury Management Update	Noted		Noted	
Internal Audit				
Audit Strategy & Plan 2015/16			Noted	
Outstanding Recommendations	Noted		Noted	Noted
Annual Report 2013/14	Noted			
Progress Report	Noted		Noted	Noted
External Audit				
Audit Fee 2014/15				
Annual Audit Letter			Noted	
External Audit Plan 2015/16				Noted
Report to those charged with governance (ISA 260)		Noted		
Accounts				
Audited Statement of Accounts 2013/14		Approved		
Letter of Representation		Approved		
Budget Monitoring 2013/14	Noted	Noted	Noted	Noted
Board Working Arrangements				
Work Programme	Noted	Noted	Noted	Noted
Annual Report 2013/14	Approved			

(The term “Noted” is used to include resolutions to note and to receive reports).