

## **NOTICE OF AUTHORITY MEETING**

**You are hereby summoned to a meeting of the South Yorkshire Pensions Authority Audit Committee to be held at The Council Chamber, Town Hall, Barnsley, S70 2TA on Thursday, 21 October 2021 at 10.30 am for the purpose of transacting the business set out in the agenda.**



**Sarah Norman  
Clerk**

This matter is being dealt with by: Gill Richards                      Tel: 01226 772806  
Email: [gillrichards@barnsley.gov.uk](mailto:gillrichards@barnsley.gov.uk)

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## **Distribution**

Councillors: G Weatherall (Chair), S Clement-Jones, D Fisher, D Nevett, C Rosling-Josephs and N Wright

## **Contact Details**

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## SOUTH YORKSHIRE PENSIONS AUTHORITY AUDIT COMMITTEE

THURSDAY, 21 OCTOBER 2021 AT 10.30 AM - THE COUNCIL CHAMBER, TOWN HALL, BARNSELEY, S70 2TA

### Agenda: Reports attached unless stated otherwise

	<b>Item</b>	<b>Pages</b>
1.	Apologies	
2.	Announcements	
3.	Urgent Items  To determine whether there are any additional items of business which by reason of special circumstances the Chair is of the opinion should be considered at the meeting; the reason(s) for such urgency to be stated.	
4.	Items to be considered in the absence of the public and press  To identify items where resolutions may be moved to exclude the public and press. (For items marked * the public and press may be excluded from the meeting.)	
5.	Declarations of Interest	
6.	Minutes of the meeting held on 29 July 2021	5 - 10
	<b>Internal Audit</b>	
7.	Internal Audit Progress Report 2021/21	11 - 20
8.	Final External Quality Assessment (EQA) Report July 2021	21 - 40
	<b>External Audit</b>	
9.	External Auditor's Annual Report	41 - 64
10.	Process for Future External Audit Appointments	65 - 68
	<b>Audit Committee Operational Items</b>	
11.	Progress Update on Audit Recommendations	69 - 74
12.	Annual Review of the Risk Management Framework	75 - 100
13.	Annual Review of the Governance Compliance Statement	101 - 120

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## SOUTH YORKSHIRE PENSIONS AUTHORITY

### AUDIT COMMITTEE

29 JULY 2021

PRESENT: Councillor D Nevett (in the Chair)  
Councillors: S Clement-Jones, D Fisher, M Havard and  
C Rosling-Josephs

G Warwick (GMB)

Officers: S Bradley (Audit Manager), W Goddard (Team  
Manager - Financial Services), G Graham (Director),  
G Richards (Senior Democratic Services Officer) and  
G Taberner (Head of Finance and Corporate Services)

N Wright (Deloitte)

(Local Pension Board)

Apologies for absence were received from Councillor A Law,  
Councillor N Wright, N Doolan-Hamer, D Patterson and  
M McCarthy

#### 1 APOLOGIES

G Kirk, the Authority's Monitoring Officer, welcomed everyone to the meeting.

As the Chair, Cllr A Law, was unable to attend the meeting nominations were requested to appoint a Chair for the meeting.

Cllr D Nevett was nominated by Cllr Fisher and seconded by Cllr C Rosling-Josephs.

Cllr Nevett took the Chair.

Apologies were noted as above.

#### 2 ANNOUNCEMENTS

None.

#### 3 URGENT ITEMS.

None.

#### 4 ITEMS TO BE CONSIDERED IN THE ABSENCE OF THE PUBLIC AND PRESS.

None.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING HELD ON 4 MARCH 2021

RESOLVED – That the minutes of the meeting held on 4<sup>th</sup> March 2021 be agreed as a true record.

7 EXTERNAL AUDITOR'S ANNUAL REPORT

N Wright presented the External Auditor's Annual report.

The Committee was informed that the audit work was mainly complete and the audit was currently being progressed towards conclusion.

Subject to the satisfactory receipt and the completion of outstanding items, as detailed in Appendix 2, Deloitte expected to issue an unqualified audit opinion on the financial statements of both the Authority and the Fund.

With regard to materiality for the Fund, this was set at £98.6m. this was based on the 31<sup>st</sup> March 2021 revised draft financial statements.

During the course of the audit an adjustment of £130m was proposed to the value of the alternative investments (relating to the availability of more up to date prices). For the same reason, a further adjustment of £9.7m was proposed. This had not been updated and was included in Appendix 1.

An adjustment to the net pension liability of 3417k had been proposed as a result of the adjustment made to the pensions fund asset value.

The report also detailed significant risks and areas of focus. Significant risks had been identified as:

- Valuation of directly held commercial property – Fund
- Management override of controls – Fund & Authority

Details of significant risks and areas of focus were contained within the report.

Members note that the areas of audit focus had been:

- Valuation of pension liability – Authority
- Completeness and accuracy of contributions – Fund
- Completeness of investment transactions and valuation of alternative investments – Fund
- Completeness and accuracy of expenditure – Authority

A conclusion had also been produced for Value for Money. The audit had not identified any significant weaknesses in respect of Value for Money.

N Wright commented on the quality of the draft accounts and thanked G Taberner and her team for their assistance with the audit.

RESOLVED – That the report be noted.

## 8 LETTER OF REPRESENTATION

A report was submitted that sought Members' approval of the Treasurer's formal letter to the Auditor giving representations regarding the information in the Statement of Accounts for 2020/21, as set out in the Accounts and Audit Regulations 2015.

The Letter of Representation (attached at Appendix A) included statements around:

- Responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- The results of the assessment of the risk that the financial statements could be materially misstated as a result of fraud.
- That the Authority was not aware of any fraud or suspected fraud.
- Information around awareness of any fraud or suspected fraud.

It was noted that the audit work was still in progress and therefore the Letter of Representation was subject to change if the auditor required any further representations to be made as a result of their work.

RESOLVED – That Members authorise the Chair of the Audit Committee to sign the Letter of Representation on behalf of the Authority.

## 9 APPROVAL OF THE STATEMENT OF ACCOUNTS 2020/21

A report was considered which sought approval of the audited Statement of Accounts 2020/21.

G Taberner informed the Committee that the draft Statement of Accounts was authorised for issue on Friday 28<sup>th</sup> May 2021 ahead of the statutory deadline. The external audit commenced the next working day, Tuesday 1<sup>st</sup> June.

There had been a small number of adjustments to the accounts which were detailed within the report.

The most significant of these concerned the value of alternative assets. Due to the timing required for preparation of the draft accounts, 31<sup>st</sup> December valuations were used. However, each year this was reviewed and checked against the fund manager statements at 31<sup>st</sup> March. This year the March statement indicated a material movement. The financial impact of this was an increase in the total Fund value of £130.8m; the total net assets of the Fund shown on the Net Assets Statement changed from £9.731bn to £9.862bn. This increased the value of

investments to £1.715bn and also increased the total investment return for the year to 21.1%.

Members discussed investment management expenses. The Director explained that the fees were relative to the size of the Fund. Benchmarking results would be available later in the year when comparisons could be made with other LGPS and private sector funds.

RESOLVED – That Members:

- i) Approve the Statement of Accounts 2020/21.
- ii) Authorise the Chair of the Audit Committee to sign the Statement of Accounts on behalf of the Authority.

10 ANNUAL REPORT 2020/21

Members considered the Annual Report 2020/21.

Regulation 57 of the Local Government Pensions Scheme Regulations 2013 and the Accounts and Audit Regulations 2015 required the Authority to prepare and publish an Annual Report that included the Pension Fund Accounts for the year by 1<sup>st</sup> December following the end of the financial year to which it related. The requirement to publish the Annual Report included electronic publication on the Authority's website.

It was noted that the independent auditor's report included within the document was yet to be updated for 2020/21 as this could only be updated following the completion of the auditor's work.

G Graham informed members that in future it was the intention to produce a version of the report that would be of interest to Scheme members, this would be a challenging task for the Communications Officer.

RESOLVED – That Members approve the Annual Report 2020/21 for publication.

11 INTERNAL AUDIT ANNUAL REPORT 202/21

S Bradley presented the Internal Audit Annual Report 2020/21.

Members were reminded that, in accordance with statutory best practice provided by the PSIAS, there was a requirement that the Head of Internal Audit (HoIA) prepared an annual report providing, among other things, an opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and internal control based on the audit work undertaken.

The report provided a summary of key issues arising from the work of Internal Audit covered in the 2020/21 audit plan and up to the point of preparing the report, which contributed to the overall assurance opinion the HoIA was able to give to the Audit Committee.



The Committee had received quarterly reports throughout the year. In each of those reports a reasonable assurance opinion had been given reflecting asis an overall satisfactory level of internal controls and their application and also satisfactory governance and risk arrangements.

Taking the whole year into account and the audits completed it was appropriate to give an overall reasonable (positive) indicative assurance opinion for the year. The information supporting the opinion was provided within the report.

RESOLVED – That the Head of Internal Audit’s Annual Report is noted.

12 INTERNAL AUDIT CHARTER 2021-24

A report was considered which presented the Internal Audit Charter 2021-24 for approval as required by the Public Sector Internal Audit Standards.

Members were informed that the Internal Audit Charter was a formal document that defined the internal audit activity’s, purpose, authority and responsibility.

It was good practice to review the Charter periodically to ensure it reflected how the function operated and also to ensure that the requirements and provisions of the PSIAS were adequately covered.

The main change to the Charter was detailed at paragraph 8.5.1 and allowed for the Audit Manager to manage reviews and approve final reports in areas where the Head of Internal Audit had management responsibility for an operational area (i.e. the HoIA was also the Authority’s Data Protection Officer).

Members were informed that the updated Charter represented how the Internal Audit operated currently and there were no further significant changes to highlight.

RESOLVED – That Members approve the Internal Audit Charter and are assured that the Internal Audit function operates in accordance with the relevant standards.

13 INTERNAL AUDIT PROGRESS REPORT 2021/22

The Committee considered the Internal Audit Progress report which provided a summary of Internal Audit activity completed, and the key issues arising from it, for the period 1<sup>st</sup> April 2021 to 11<sup>th</sup> July 2021.

It was noted that 6% of the planned days had been delivered and that the plan was profiled more heavily towards the end of the financial year. As in previous years there were likely to be a number of pieces of work that would be completed in the new financial year.

Three reports had been issued during the period. These were:

- UPM Payroll.
- Pensions Review Process – Life Certificates.

- Pensions Review Process – Child Pensions.

The report also contained details of the audit work in progress and the status of internal audit management actions due for completion in the period.

S Bradley reported that Internal Audit continued to receive good co-operation from management including the Senior Management Team.

Cllr Nevett questioned how the pandemic had affected the Internal Audit team.

S Bradley confirmed that the Team had worked from home throughout. There had been no sickness within the Team due to Covid-19 but several staff members had to self-isolate.

The Team had been busy advising on revised processes to take account of Covid-19 restrictions.

Some jobs took longer whilst working from home but overall things had worked well.

RESOLVED – That the report be noted.

#### 14 PROGRESS UPDATE ON AUDIT RECOMMENDATIONS

A report was submitted to update Members on the actions being taken in response to audit recommendations made by both internal and external audit during the current financial year and in previous financial years.

Members were reminded that the previous report on progress to the March meeting noted that there had been some delays in implementing agreed actions arising from the impact of Covid-19 and lockdowns during 2020/21 in particular. Since then, further progress had been made and there were several actions that had now been fully completed. The appendix to the report showed the status and progress being made on the remaining outstanding actions and this would continue to be actively monitored.

RESOLVED – That Members note the progress being made on implementing audit recommendations.

CHAIR



<b>Subject</b>	<b>Internal Audit Progress Report 2021/22</b>	<b>Status</b>	For Publication
<b>Report to</b>	<b>Audit Committee</b>	<b>Date</b>	<b>21/10/2021</b>
<b>Report of</b>	Head of Internal Audit, Anti-Fraud and Assurance		
<b>Equality Impact Assessment</b>	Not Required		
<b>Contact Officer</b>	Sharon Bradley	<b>Phone</b>	07795 305846
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## 1. Purpose of the Report

- 1.1 The purpose of this report is to provide a summary of the Internal Audit activity completed, and the key issues arising from it, for the period from 12<sup>th</sup> July 2021 to 26<sup>th</sup> September 2021.
- 1.2 To provide information regarding the performance of the Internal Audit function during the period.

## 2 Recommendation

- 2.1 **It is recommended that Members consider the report and as necessary request further information and/or explanations from Internal Audit or Management.**

## 3 Background Information

- 3.1 The Audit Committee has responsibility for reviewing the adequacy of the Authority's corporate governance arrangements, including those relating to internal control and risk management. The reports issued by Internal Audit are a key source of assurance contributing to the evidence the Committee receives to assure them that the internal control environment is operating as intended.
- 3.2 At the end of the financial year, the Head of Internal Audit will produce his Annual Report, which will provide his overall opinion on the adequacy of the Authority's control environment and compliance with it during the year.

## 4. Implications

- 4.1 The proposals outlined in this report have the following implications:

Financial	The cost of the services of the Internal Audit Team is contained within the budget and is periodically invoiced.
Human Resources	n/a
ICT	n/a
Legal	Section 73 of the Local Government Act 1985 requires the Authority to make arrangements for the proper administration of its financial affairs; and Regulation 6 of the Accounts and Audit Regulations 2015 requires the Authority to maintain an

	adequate and effective system of Internal Audit of its accounting records and of its system of internal control. This report does not contain any information which is exempt under the Freedom of Information Act 2000.
Procurement	n/a

**Rob Winter FCPFA**  
**Head of Internal Audit, Anti-Fraud and Assurance**

<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>
Background papers and other sources of reference include: Internal Audit Charter 2021-24, Annual Plan 2021-22, Individual Internal Audit Reports, MK Insight (Audit Management System), Public Sector Internal Audit Standards 2017	Barnsley Metropolitan Borough Council, Westgate Plaza, Barnsley.

# **South Yorkshire Pensions Authority**

## **Internal Audit Progress Report**

**Audit Committee**

**21<sup>st</sup> October 2021**

The matters arising in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

## INTERNAL AUDIT PROGRESS REPORT 2021/22 12<sup>th</sup> July to 26<sup>th</sup> September 2021

### Purpose of this report

This report has been prepared to update the Committee on our activity for the period 12<sup>th</sup> July 2021 to 26<sup>th</sup> September 2021, bringing to your attention matters that are relevant to your responsibilities as members of the Authority's Audit Committee.

The report also provides information regarding the performance of the Internal Audit function during the period.

### Internal Audit Plan Progress

The following table shows the progress of the internal audit plan up to the 26<sup>th</sup> September 2021, analysed by the number of plan assignments and audit days delivered by Service Area.

To date, we have delivered 14.3% of the planned days. The 2021/22 plan (as in previous years) is profiled more heavily towards the end of the financial year and Internal Audit has profiled its resources accordingly. As in previous years, there are likely to be a number of pieces of work that will be completed in the new financial year.

#### Position as at 26<sup>th</sup> September 2021 - Plan Days Delivered

2021/22 Plan (incl. c/fwd)	Original Plan Days	Revised Plan Days	Actual days (% of revised days)
Finance	82.5	112.5	3.9
Pensions Admin	37.5	37.5	13.4
Investments	0	0	0
Authority Wide	87	76	10.4
Corporate Services	30	15	6.8
Contingency	4	0	0
<b>Chargeable Planned Days</b>	<b>241</b>	<b>241</b>	<b>34.5</b>

#### Position as at 26<sup>th</sup> September 2021 – Planned Assignments With Report

	Planned assignments in year	Assignments to be completed in period	Actual assignments completed in period
<b>Finance</b>	8*	0	0
<b>Pensions Admin</b>	6	1	1
<b>Investments</b>	0	0	0
<b>Corporate Services</b>	1	0	0
<b>Authority Wide</b>	4*	1	0
<b>Total</b>	<b>19</b>	<b>2</b>	<b>1</b>

\* The 2021/22 DPO assurance coverage has now been agreed with the Head of Pensions Admin and the Financial Systems coverage agreed with the Head of Finance and Corporate Services.

## Changes to the 2021/22 Internal Audit Plan

At the beginning of the year provision is made in the allocation of audit resources for unplanned work, through a contingency. As requests for audit work are received, or more time is required for jobs or changes in priorities are identified, time is allocated from this contingency.

There have been a number of plan changes during the period, agreed during the consultation with regards to coverage of DPO assurance areas and also financial systems.

New:

DPO - Information Sharing Agreements;  
 DPO - Cybersecurity;  
 DPO - DPIAs;  
 DPO - Data Retention Policy;  
 Fin System – Main Accounting;  
 Fin System – UPM Payroll;  
 Fin System – Staff Payroll;  
 Fin System – Investment Income;  
 Fin System – Fund Contributions and Rechargeable Pensions;  
 Fin System – Accounts Payable.

Defer:

Procurement Compliance – Covid19 pandemic has impacted on implementation of AMAs;  
 Staff Payroll and HR System – Design and Implementation – Procurement delayed due to Covid19 pandemic impact on internal resources.

## Final Internal Audit Reports

The following reports have been issued during the period.

Audit Assignment	Assurance Opinion	Number of recommendations raised:			Total	Agreed
		High	Medium	Low		
DPO – Customer Contact Centre	Substantial	0	0	0	0	0
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Other Internal Audit work undertaken

Audit Activity	Description
Annual Governance Review / Statement	Advice and challenge in relation to the annual governance review process and also draft annual governance statement 2020-21.
Financial Management and Investment Systems - Design and Implementation	Independent advice, support and challenge to the Project Manager during the design stage. Included training session attendance.
Pensions Administration System – Design & Implementation	Independent advice, support and challenge to the Project Manager during the identification and assessment of gaps in current service provision against the new contract Specification of Requirements (to start next year) and liaison with the supplier to agree required actions.



Audit Activity	Description
Follow-up of Agreed Management Actions (AMAs)	Regular work undertaken to follow-up agreed management actions.
Liaison, Planning and Feedback	Meeting and corresponding with Senior Management regarding progress of audit work, future planning and general client liaison.
Advice	General advice to services regarding controls, risk or governance.
Audit Committee Support	Time taken in the preparation of Audit Committee reports, Audit Committee Member training (as required), general support and development.
NFI	Time allocated to undertake the National Fraud Initiative data matching exercise. Head of Pensions Admin has been provided with an update regarding the Datasets and Timescales for 2021/22.

### Work in Progress

The following table provides a summary of the audits in progress at the time of producing this report:

Directorate- Audit Assignment	Audit Planning	Work in Progress	Draft Report
Pensions Admin: Data Quality Improvement Plan			✓
Corporate Services: HR Governance		✓	
Authority Wide: Business Continuity Planning	✓		
Financial Systems x 6	✓		
DPO Assurance x 4	✓		

### Follow-up of Internal Audit Report Management Actions

The following table shows the status of internal audit management actions due for completion during the period:

Management Action Classification	Followed up	Closed - Implemented	Revised target date agreed	Awaiting Update From Mgt
<b>High</b>	0	0	0	0
<b>Medium</b>	1	0	0	1
<b>TOTAL</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>

Internal Audit continues to get good co-operation from management including the Senior Management Team (SMT) and as such is able to closely monitor any implications that may arise from a delay in the implementation of management actions.

## Internal Audit performance indicators and performance feedback for 2021/22 (Quarter 2)

Internal Audit's performance against a number of indicators is summarised below. The Service uses a range of performance indicators to monitor operational efficiency. Quarterly performance of the function is satisfactory and all PIs for the year are either on or exceed target levels.

Ref.	Indicator	Frequency of Report	Target 2021/22	This Period	Year to Date
<b>1.</b>	<b><u>Customer Perspective:</u></b>				
1.1	Percentage of questionnaires received noted "good" or "very good" relating to work concluding with an audit report.	Quarterly	95%	N/A	100%
<b>2.</b>	<b><u>Business Process Perspective:</u></b>				
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report.	Quarterly	80%	100%	100%
2.2	Percentage of chargeable time against total available.	Quarterly	73%	70%	70%
2.3	Average number of days lost through sickness per FTE	Quarterly	6 days	0.4 days	0.4 days
<b>3.</b>	<b><u>Continuous Improvement Perspective:</u></b>				
3.1	Personal development plans for staff completed within the prescribed timetable.	Annual	100%	100%	100%
<b>4.</b>	<b><u>Financial Perspective:</u></b>				
4.1	Total Internal Audit costs v budget.	Quarterly	Within budget	Yes	Yes

## Performance indicator definitions and supporting information

PI Ref	Indicator	Comments
1.1	Percentage of favourable auditee questionnaire responses received (noted "good" or "very good") relating to work concluding with an audit report.	Audit Sponsor and Operational Lead Questionnaires are circulated at the end of each piece of work. The questionnaires asks specific questions covering the effectiveness of audit planning, communication, timing and quality of the audit report/output. An overall assessment is sought as to the overall value of the work. This is the answer used for this PI. All questionnaires are analysed in detail to ensure all aspects of the audit process are monitored and improved.
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report.	This is an operational PI to ensure the timely issue of final reports. This PI is influenced by the availability of Senior Internal Audit staff to clear the report and any issues the Service's quality assessment process highlights along with the availability of the auditee.
2.2	Percentage of chargeable time against total available.	A key operational measure of the 'productivity' of Audit staff taking into account allowances for administration, general management, training and other absences. This PI will reflect the % chargeable time of staff in post, net of vacancies.
2.3	Average number of days lost through sickness per FTE.	A corporate PI to measure the effectiveness of good absence / attendance management.
3.1	Personal development plans for staff completed within the prescribed timetable.	IA place a high level of importance on staff training and continuous development and are committed to ensure all staff have their own training plans derived from the personal development plan process.
4.1	Total Internal Audit costs v budget.	This is a simple overall measure to note whether the Service's expenditure for the year has been kept within the budget.

### Head of Internal Audit's Assurance Opinion

The Head of Internal Audit, Anti-Fraud and Assurance must deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

At this point in the audit year, based on work completed to date, it is anticipated that a **Reasonable** (positive) overall assurance opinion will be provided.

### Audit Contacts

Contact	Title	Contact Details
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## KEY TO INTERNAL AUDIT ASSURANCE GRADINGS AND CLASSIFICATION OF IMPLICATIONS

### 1. Classification of Implications (impact)

<b>High</b>	Requires immediate action – imperative to ensuring the objectives of the system under review are met.
<b>Medium</b>	Requiring action necessary to avoid exposure to a significant risk to the achievement of the objectives of the system under review.
<b>Low</b>	Action is advised to enhance control or improve operational efficiency.

### 2. Assurance Opinions

	Level	Control Adequacy	Control Application
<b>POSITIVE OPINIONS</b>	<b>Substantial</b>	Robust framework of controls exist that are likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
	<b>Reasonable</b>	Sufficient framework of key controls exist that are likely to result in objectives being achieved, but the control framework could be stronger.	Controls are applied but with some lapses.
<b>NEGATIVE OPINIONS</b>	<b>Limited</b>	Risk exists of objectives not being achieved due to the absence of key controls in the system.	Significant breakdown in the application of key controls.
	<b>None</b>	Significant risk exists of objectives not being achieved due to the absence of controls in the system.	Fundamental breakdown in the application of all or most controls.



<b>Subject</b>	<b>Final External Quality Assessment (EQA) Report July 2021</b>	<b>Status</b>	For Publication
<b>Report to</b>	<b>Audit Committee</b>	<b>Date</b>	<b>21/10/2021</b>
<b>Report of</b>	Head of Internal Audit, Anti-Fraud and Assurance		
<b>Equality Impact Assessment</b>	Not Required		
<b>Contact Officer</b>	Sharon Bradley	<b>Phone</b>	07795 305846
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## 1. Purpose of the Report

- 1.1 This brief covering report presents the final report following the independent assessment of the Internal Audit function against the Public Sector Internal Audit Standards (PSIAS).

## 2. Recommendations

- 2.1 **It is recommended that the Committee note the EQA report and therefore be assured of the Internal Audit's compliance with professional standards and receive an update from the Head of Internal Audit, Anti-Fraud and Assurance on the implementation of the actions arising.**

## 3. Background

- 3.1 The Committee will be aware that the Internal Audit function is required to comply with the PSIAS. This requirement is effectively established in law as part of the Accounts and Audit Regulations 2015.
- 3.2 The PSIAS determine that an independent EQA is undertaken at least once every 5 years. The first EQA was undertaken via a peer approach in the latter part of 2015 / early 2016 and reported to the Committee in March 2016.
- 3.3 For this, the second EQA, CIPFA were commissioned to undertake a full review looking at the self-assessment, Quality Assurance Improvement Programme, IA Charter and an in-depth review of pieces of work. Interviews were held with key officers and various audit committee chairs across the client base and questionnaires also sent to senior officers.

#### **4. Outcome of the EQA Review**

- 4.1 In short as can be seen on page 3 of the report the independent assessment found that:

*“It is our opinion that Barnsley Internal Audit Service’s self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.”*

- 4.2 Two recommendations were made alongside 4 advisory points. These are shown in the action plan starting on page 10 of the report. The final report is attached.
- 4.3 This is naturally a very pleasing outcome and testament to the hard work and dedication of the whole Internal Audit Team. Of particular note is the comment from the Assessor regarding the IA Charter as being an exemplar.
- 4.4 The Committee will receive an update on the implementation of the actions in due course.

**Rob Winter FCPFA**  
**Head of Internal Audit, Anti-Fraud & Assurance**

**Contact Officer:**                    **Sharon Bradley CMIIA**  
   **Internal Audit Manager**  
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# **External Quality Assessment of Conformance to the Public Sector Internal Audit Standards**

## **Barnsley Metropolitan Borough Council's Internal Audit Service**

### **Final Report**

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## **1. Introduction**

- 1.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1<sup>st</sup> April 2013 (revised 2016 and 2017). All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments, or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the internal audit service's own self-assessment at least once in a five-year period.

## **2. Background**

- 2.1 The Barnsley Internal Audit Team (BIA) provides internal audit services to Barnsley Metropolitan Borough Council (BMBC), Berneslai Homes; the South Yorkshire Police and Crime Commissioner and the South Yorkshire Police Force; The South Yorkshire Pension Authority; and the Northern College. The Service is managed by the Head of Internal Audit, Anti-fraud and Assurance (HoIA) and is made up of 16.4 full time equivalent employees, including the Corporate Anti-Fraud Team and a Corporate Governance and Assurance Manager, all of which are employed by BMBC, the Service's host authority. The members of the Internal Audit team are well qualified with three CCAB accountants, including the HoIA, and two Chartered Members of the Institute of Internal Auditors (IIA). The remainder of the team all hold the IIA Internal Audit Certificate, with three of them also being qualified Accounting Technicians and one studying for the IIA Certified Internal Auditor qualification. Several members of the team have extensive local government internal audit experience, including the HoIA and the Audit Manager, and some are able to bring knowledge and experience to the team that they have gained from internal auditing elsewhere, such the NHS, Police, and commercial sectors.
- 2.2 From an operational perspective, BIA reports directly to the executive teams and Audit Committees at their respective clients. These two bodies fulfil the roles of 'senior management' and 'the board', as defined by the Public Sector Internal Audit Standards. For BMBC, the HoIA reports directly to the Service Director Finance (the Council's Section 151 Officer) and has direct access to the Council's Chief Executive Officer, the Chair and full membership of the Audit and Governance Committee (A&GC). Regular reports on the audit plan, progress on delivering the plan and the annual opinion and outturn are made to the Council's BMBC's senior leadership team and the Audit & Governance Committee. Similar arrangements are in place for BIA's other clients.
- 2.3 BIA has been operating under PSIAS since its launch in 2013, and this is the second external quality assessment that they have commissioned, the previous one being in 2016.
- 2.4 BIA has an audit manual that is clear and easy to follow and provides the auditors with a comprehensive guide to all aspects of performing an internal audit or consultancy assignment. Standard templates are used for the engagement working papers and testing schedules, engagement terms of references, action plans and audit reports. All of these documents are held in BIA's audit management application, MK Insight (MKI).
- 2.5 The MKI application is also used for managing the engagements with all staff recording time spent on the assignments in the application. Supervision of the engagements takes place at every stage of the process and is recorded in MKI.
- 2.6 BIA has a quality assurance process in place that feeds into its Quality Assurance and Improvement Programme (QAIP). There are four main elements to this process. The first element is a review of the live engagement by the supervising officer to ensure the audit has been performed properly and conforms to the PSIAS, and to ascertain whether there are any lessons to be learnt for future



reviews or for the auditor. The second element comprises a customer satisfaction questionnaire and survey, with the third and fourth elements being a review of the Service's audit procedures and documents and an annual self-assessment of BIA's overall conformity with the PSIAS. All of the above processes are used to inform BIA's QAIP.

### **3. Validation Process**

- 3.1 The self-assessment validation comprises a combination of a review of the evidence provided by Barnsley Internal Audit; a review of a sample of completed internal audits, chosen by the assessor, covering all of the Service's main clients; questionnaires that were sent to and completed by a range of stakeholders from BIA's clients; and a series of (virtual) interviews using MS Teams with key stakeholders, again covering all of BIA's main clients. The questionnaire and interviews focussed on determining the strengths and weaknesses of BIA and assessed the Service against the four broad themes of Purpose and Positioning; Structure and Resources; Audit Execution; and Impact.
- 3,2 BIA provided a comprehensive range of documents that they used as evidence to support their self-assessment and these were available for examination prior to and during this validation review. These documents included the:
- self-assessment against the standards;
  - quality assurance and improvement plan (QAIP);
  - evidence file to support the self-assessment;
  - the audit charter;
  - the annual reports and opinions for the main clients;
  - the audit plans and strategies for the main clients;
  - audit procedures manual;
  - a range of documents and records relating to the team members; and
  - progress and other reports to the respective Audit Committees.

All of the above documents were examined during the EQA.

- 3.3 The validation process was carried out from the 7<sup>th</sup> to the 18<sup>th</sup> June 2021, and involved interviews with the key personnel from BIA, plus a sample of key stakeholders from BIA's customer base, made up of members of the senior management teams and chairs of Audit Committees. Overall, the feedback from the interviewees was positive with clients valuing the professional and objective way BIA delivered services.
- 3.4 A questionnaire was sent to a range of other key stakeholders in advance of the assessment commencing and the results analysed during the review. A summary of the survey results is shown at appendix A of the report.
- 3.5 The assessor also carried out an end-to-end review of a sample of eleven completed audits, covering all of BIA's main clients, to confirm his understanding of the audit process used by BIA and embedded in their MKI audit management system.

## 4. Opinion

**It is our opinion that Barnsley Internal Audit Service's self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.**

The table below shows Barnsley Internal Audit Service's level of conformance to the individual standards assessed during this external quality assessment:

<b>Standard / Area Assessed</b>	<b>Level of Conformance</b>
Mission Statement	<b>Fully Conforms</b>
Core principles	<b>Fully Conforms</b>
Code of ethics	<b>Fully Conforms</b>
Attribute standard 1000	<b>Fully Conforms</b>
Attribute standard 1100	<b>Fully Conforms</b>
Attribute standard 1200	<b>Fully Conforms</b>
Attribute standard 1300	<b>Fully Conforms</b>
Performance standard 2000	<b>Fully Conforms</b>
Performance standard 2100	<b>Fully Conforms</b>
Performance standard 2200	<b>Fully Conforms</b>
Performance standard 2300	<b>Fully Conforms</b>
Performance standard 2400	<b>Fully Conforms</b>
Performance standard 2500	<b>Fully Conforms</b>
Performance standard 2600	<b>Fully Conforms</b>

## 5. Areas of full conformance with the Public Sector Internal Audit Standards

### 5.1 Mission Statement and Definition of Internal Audit

The mission statement and definition of internal audit from the PSIAS are included in the audit charter.

### 5.2 Core Principles for the Professional Practice of Internal Auditing

*The Core Principles, taken as a whole, articulate an internal audit function's effectiveness, and provide a basis for considering the organisation's level of conformance with the Attribute and Performance standards of the PSIAS.*

The clear indication from this EQA is that the Core Principles are embedded in the audit manual and the MKI audit management application, and that Barnsley Internal Audit Service is a competent and professional service that conforms to all ten elements of the Core Principles.

One of the core principles requires internal audit services to promote organisational improvement and this EQA has demonstrated that the Service fulfils this requirement. However, there are opportunities to enhance the way the service promotes organisational improvement that the service should consider. The Service already has an action on its QAIP to review and update the Internal Audit pages on the Council's intranet site and work is underway on this task, so we have not included any action in section 8 of this report. Once this review is complete, the Service should consider using the intranet as a means of disseminating briefings to officers on good practice found during audits that could be adopted by other units in the organisation, or drawing officers attention to emerging risks that may have a wider impact on services that are peripheral to the services likely to be effected by the risk. We have included a suggest on this in section 8 of this report.

### 5.3 **Code of Ethics**

*The purpose of the Institute of Internal Auditors' Code of Ethics is to promote an ethical culture in the profession of internal auditing, and is necessary and appropriate for the profession, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The Code of Ethics provides guidance to internal auditors and in essence, it sets out the rules of conduct that describe behavioural norms expected of internal auditors and are intended to guide their ethical conduct. The Code of Ethics applies to both individuals and the entities that provide internal auditing services.*

The clear indication from this EQA is that Barnsley Internal Audit Service conforms to the Code of Ethics and this is embedded in their audit manual and the MKI audit management application. It is part of their overarching culture and underpins the way the Service operates.

### 5.4 **Attribute Standard 1000 – Purpose, Authority and Responsibility**

*The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing). The internal audit charter must be reviewed regularly and presented to senior management and the audit panel for approval.*

Barnsley Internal Audit Service has one uniform audit charter that applies to all of its clients. We reviewed this document and the processes used to present it to the various Audit Committees for approval. We found the audit charter to be a comprehensive and well written document and a model example of how a good audit charter should look. We are therefore satisfied that they conform to attribute standard 1000 and the LGAN.

### 5.5 **Attribute Standard 1100 – Independence and Objectivity**

*Standard 1100 states that the internal audit activity must be independent, and internal auditors must be objective in performing their work.*

The need for independence and objectivity is covered in Barnsley Internal Audit Service's audit manual and is an integral part of their culture. The Service reports in its own name and directly to senior management and the Audit Committees at all of its clients. All employees sign a declaration of interest each year and declare any potential impairment to independence or objectivity for each audit they undertake. The Head of Internal Audit, Anti-Fraud and Assurance has direct

responsibility for the strategic and operational management for some functions that are subjected to periodic internal audits. This potential impairment to independence is disclosed in the Audit charter and there are mechanisms in place to preserve the independence and objectivity of the auditors that review these functions.

We have reviewed the Service's audit manual, their standard documentation, quality assurance and improvement plan, and a sample of completed audit files, together with their reporting lines and their positioning in the organisations they work with. We are satisfied that Barnsley Internal Audit Service conforms with attribute standard 1100 and the LGAN.

#### 5.6 **Attribute Standard 1200 – Proficiency and Due Professional Care**

*Attribute standard 1200 requires Barnsley Internal Audit Service's engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the staff, and how they apply their knowledge in practice.*

It is evident from this EQA that Barnsley Internal Audit Service has a professional and experienced, workforce who all either hold or are working towards obtaining, relevant professional qualifications. The Head of Internal Audit, Anti-Fraud and Assurance holds a CCAB qualification, while the Audit Manager holds the full chartered IIA qualification. There are also three other members of the team that hold CCAB or chartered IIA qualifications, with the remainder of the team holding relevant accountancy, internal audit or counter fraud qualifications.

The Service has staff who are experienced in analysing data and they tend to do this by using the functionality available in generic products such as MS Excel, although the Council is developing its own data analytics processes through the Power BI application. They are not currently using any specialist data analytics applications, although they have held licences for this type of application in the past.

The Service does not have any qualified specialist IT auditors in its establishment, preferring instead to obtain these from external suppliers when required. However, there is no set arrangement in place with any supplier meaning the Head of Internal Audit, Anti-Fraud and Assurance has to go through a procurement exercise each time resources are required. To speed up this process, we suggest consideration is given to setting up a call off contract with a suitable supplier for IT audit resources.

The Service is currently carrying a few vacancies which it plans to fill in the near future following a minor restructure of the Service. We suggest that the Head of Internal Audit, Anti-Fraud and Assurance takes the opportunity presented by the planned restructure to ensure that there is adequate succession planning in place for the key posts. This should ensure the Service can continue to operate should they lose one or more key employees.

It is evident from this review that the Service's employees perform their duties with due professional care. We are satisfied that Barnsley Internal Audit Service complies with attribute standard 1200 and the LGAN, although there are some opportunities to strengthen the services they provide to their clients that we have set out in section 8 of this report.

#### 5.7 **Attribute Standard 1300 – Quality Assurance and Improvement Programmes**

*This standard requires the Head of Internal Audit, Anti-Fraud and Assurance to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.*

Barnsley Internal Audit Service has developed a robust and effective quality assurance process that ensures engagements are performed to a high standard within the available resources. It is effective and feeds into BIA's quality assurance and improvement programme. We have examined this process during the EQA and are satisfied that Barnsley Internal Audit Service conforms to attribute standard 1300 and the LGAN.

#### 5.8 **Performance Standard 2000 – Managing the Internal Audit Activity**

*The remit of this standard is wide and requires the Head of Internal Audit, Anti-Fraud and Assurance to manage the internal audit activity effectively to ensure it adds value to its clients. Value is added to a client and its stakeholders when internal audit considers their strategies, objectives, and risks; strives to offer ways to enhance their governance, risk management, and control processes; and objectively provides relevant assurance to them. To achieve this, the Head of Audit, Anti-Fraud and Assurance must produce an audit plan for each client, and communicate this and the Service's resource requirements, including the impact of resource limitations, to senior management and the Audit Committees at each client for their review and approval. The Head of Internal Audit, Anti-Fraud and Assurance must ensure that BIA's resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.*

*The standard also requires the Head of Internal Audit, Anti-fraud and Assurance to establish policies and procedures to guide the internal audit activity, and to share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.*

*Last, but by no means least, the standard requires the Head of Internal Audit, Anti-Fraud and Assurance to report periodically to senior management and the Audit Committees on internal audits activities, purpose, authority, responsibility and performance relative to its plan, and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the audit panels.*

Barnsley Internal Audit Service has an audit manual, supervision and quality assurance processes in place that meet the requirements of the PSIAS. They have developed comprehensive planning processes that follow best practice by taking into consideration the client's risks, objectives and risk management and governance frameworks; other relevant and reliable sources of assurance; any key issues identified by the client's managers; BIA's own risk and audit needs assessments; and the resources that are available to undertake the audits. From this information, they produce risk-based audit plans that are designed to enhance the client's risk management and governance frameworks and control processes; and objectively provide them with relevant assurance. These audit plans are reviewed and approved by the senior management and the Audit Committees at each client.

BIA is aware that there is scope to expand the use of other relevant sources of assurance and have included an action on their quality assurance and improvement plan to develop this area. As work is underway to develop a suitable framework, we have not included this item in section 8 of the report.

Details of the completed audits and the risk and control issues found, together with the progress being made on delivering the audit plans and the performance of BIA, is regularly reported to the Audit Committees, with an annual report opinion for each client being issued at the end of the year.

The clear indication from this EQA is that Barnsley Internal Audit Service is effectively managed and conforms to standard 2000 and the LGAN.

## 5.9 **Performance Standard 2100 – Nature of Work**

*Standard 2100 covers the way the internal audit activity evaluates and contributes to the improvement of the organisation's risk management and governance framework and internal control processes, using a systematic, disciplined and risk-based approach.*

This is the approach adopted by Barnsley Internal Audit Service and is set out in their audit manual, the MKI audit management system, and their working methodologies. During this EQA, we selected a sample of completed audit engagements from different clients and examined them to see if they conformed to standard 2100 and Service's own methodologies. We found that the sample audits complied with both.

Internal audit's credibility and value is enhanced when auditors are proactive, and their evaluations offer new insights and consider future impact on the organisation. On the whole BIA's clients value the work the Service does in this area and often turn to them for advice and guidance when faced with emerging risks or are developing or changing systems.

The clear indication from this EQA is that Barnsley Internal Audit Service conforms to performance standard 2100 and the LGAN.

## 5.10 **Performance Standard 2200 – Engagement Planning**

*Performance standard 2200 requires internal auditors to develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations. The plan must consider the organisation's strategies, objectives, and risks relevant to the engagement.*

As mentioned in section two of this report, Barnsley Internal Audit Service has an audit manual, supervision and quality assurance processes in place that covers engagement planning in detail and meets the requirements of the PSIAS. During this EQA, we selected a sample of completed audit engagements, and examined them to see if they conformed to standard 2200. We found that they all conformed to the standards and the Service's own audit procedures, and therefore we conclude that Barnsley Internal Audit Service conforms to performance standard 2200 and the LGAN.

## 5.11 **Performance Standard 2300 – Performing the Engagement**

*Performance standard 2300 seeks to confirm that internal auditors analyse, evaluate and document sufficient, reliable, relevant and useful information to support the engagement results and conclusions, and that all engagements are properly supervised.*

As mentioned above, Barnsley Internal Audit Service has an audit manual, supervision and quality assurance processes in place that meets the requirements of the standards. During this EQA, we selected a sample of completed audit engagements from all of their main clients and examined them to see if they conformed to the standards. We found that they all conformed to the standards and Service's own audit manual, and therefore we conclude that Barnsley Internal Audit Service conforms to performance standard 2300 and the LGAN.

## 5.12 **Performance Standard 2400 – Communicating Results**

*This standard requires internal auditors to communicate the results of engagements to clients and sets out what should be included in each audit report, as well as the annual report and opinion. When an overall opinion is issued, it must take into account the strategies, objectives and risks of the clients and the expectations of their senior management, the audit panels and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information. Where an internal audit function is deemed to conform to the PSIAS,*

*reports should indicate this by including the phrase "conducted in conformance with the International Standards for the Professional Practice of Internal Auditing".*

The audit manual, supervision and quality assurance processes cover the communication of results in detail and meet the requirements of the PSIAS. We selected a sample of completed audit engagements and examined them to see if they conformed to the standards. We found that they all conformed to the standards and the Service's own audit manual although we suggest they make one minor enhancement to the engagement terms of reference.

We also reviewed the progress and annual reports to the Audit Committees and found that on the whole these also conformed to the standards and BIA's own internal procedures. However, to improve clarity we recommend that the Head of Internal Audit, Anti-Fraud and Assurance amends the wording used for the annual opinion to specifically refer to assurance on the control, risk management and governance framework. The current opinions only refer to assurance on the control framework even though the service has examined the risk management and governance frameworks in place at their clients and referred to them in the annual reports. A recommendation has been included in section 8 of this report.

We therefore conclude that Barnsley Internal Audit Service conforms to performance standard 2400, although there are some enhancements that can be made to strengthen their conformance to the standards, and we have set these out in section 8 of this report.

#### **5.13 Performance Standard 2500 – Monitoring Progress**

There is a comprehensive follow-up process in place at all of BIA's clients, the objective of which is to monitor the client's progress towards the implementation of agreed actions. The results of the follow-up reviews are reported to the relevant Audit Committees. From this EQA, it is evident that Barnsley Internal Audit Service conforms to performance standard 2500 and the LGAN.

#### **5.14 Performance Standard 2600 – Communicating the Acceptance of Risk**

Standard 2600 considers the arrangements which should apply if the Head of Internal Audit, Anti-Fraud and Assurance has concluded that a client's management has accepted a level of risk that may be unacceptable to the organisation. Situations of this kind are expected to be rare, consequently, we did not see any during this EQA. From this external quality assessment, it is evident that Barnsley Internal Audit Service conforms to performance standard 2600 and the LGAN.

### **6. Areas of partial conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note**

6.1 There are no areas of partial conformance with the Public Sector Internal Audit Standards.

### **7. Areas of non-conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note**

7.1 There are no areas of non-conformance with the Public Sector Internal Audit Standards.

### **8. Issues for management action**

8.1 Although Barnsley Internal Audit Service conforms to the PSIAS there are a few issues that management should consider addressing. Some of these relate directly

- to the standards while others relate more to the effectiveness of the service they provide to their clients and potential opportunities to grow the business.
- 8.2 The Service does not have any qualified specialist IT auditors in its establishment, preferring instead to obtain these from external suppliers when required. However, there is no set arrangement in place with any supplier meaning the Head of Internal Audit, Anti-Fraud and Assurance has to go through a procurement exercise each time resources are required. To speed up this process, we suggest consideration is given to setting up a call off contract with a suitable supplier for IT audit resources.
  - 8.3 BIA has used specialist software applications in the past for data analytics, but they are no longer doing so. The Council is developing its own data analytics processes, but it is likely to be some time before this is fully functional and as such the Head of Internal Audit, Anti-Fraud and Assurance should consider obtaining a suitable application as an interim measure. There are a number of applications on the market that can be considered, although a common application that is used in the local government sector is IDEA, which is often coupled with the SmartAnalyser add-on tool, to provide an effective and efficient way of auditing the core financial and HR systems, and SmartExporter which is a SAP data extraction and analysis solution. BIA is aware of the benefits achievable from developing their data analytics capability and have already included actions on their QAIP relating to the development of Power BI. However, until this is developed, we suggest they explore the functionality available in the specialist applications such as IDEA or one of the alternative products that are on the market.
  - 8.4 The Service is currently carrying a few vacancies which it plans to fill in the near future following a minor restructure of the Service. We suggest that the Head of Internal Audit, Anti-Fraud and Assurance takes the opportunity presented by the planned restructure to ensure that there is adequate succession planning in place for the key posts. This should ensure the Service can continue to operate should they lose one or more key employees.
  - 8.5 The engagement terms of reference include a section entitled key contacts and lists the people from the client and Barnsley Internal Audit Service that will be involved in the audit process. The standards expect the terms of reference to include an initial distribution list for the draft audit reports and this is not currently included. In practice this tends to be the client key contacts. To enhance conformance with the standards we suggest that the list of key contacts for the client are also designated as the initial recipients of the draft audit report.
  - 8.6 The Head of Internal Audit, Anti-Fraud and Assurance's annual opinion for the majority of the Service's clients currently refers to providing assurance on the control framework, whereas the standards require the opinion to specifically provide an opinion on the control, risk and governance frameworks. The one exception to this is the annual opinion used for South Yorkshire Police which does include the three elements. To enhance conformance with the standards we recommend that the annual opinion used for all of the Service's clients is revised to include the control, risk and governance frameworks.
  - 8.7 Once the review of the internal audit pages on the Council's intranet is complete, the Service should consider using the intranet as a means of disseminating briefings to officers on topics such as good practice found during audits that could be adopted by other units in the organisation, or emerging risks that may have a wider impact on services that are peripheral to the services likely to be effected by the risk.
  - 8.8 A summary of the agreed actions to address the above issues is included at the end of this report.



## 9. Action Plan

<b>1. Scope of the Head of Audit, Anti-fraud and Risk's annual assurance opinion (Medium priority)</b>	
<b>Rationale</b>	<b>Agreed Action</b>
The Head of Internal Audit, Anti-Fraud and Assurance's annual opinion currently refers to providing assurance on the control framework, whereas the standards require the opinion to specifically provide an opinion on the control, risk and governance frameworks. To enhance conformance with the standards we recommend that the annual opinion is revised to include all three elements.	The annual opinion, reflected in the annual report will be reviewed to ensure there is are three clear opinions in relation to controls, risk and governance.
<b>Action Responsibility</b>	<b>Head of Internal Audit, Anti-Fraud and Assurance</b>
<b>Deadline</b>	<b>For all client annual reports for 2021/22</b>

<b>2. Initial report distribution list in the assignment terms of reference (Low priority)</b>	
<b>Rationale</b>	<b>Agreed Action</b>
The engagement terms of reference include a section entitled key contacts and lists the people from the client and Barnsley Internal Audit service that will be involved in the audit process. The standards expect the terms of reference to include an initial distribution list for the draft audit reports and this is not currently included. In practice this tends to be the client key contacts. To enhance conformance with the standards we suggest that the list of key contacts for the client are also designated as the initial recipients of the draft audit report.	The template for the terms of reference for each piece of work will be changed to show the draft and final report distribution.
<b>Action Responsibility</b>	<b>Head of Internal Audit, Anti-Fraud and Assurance</b>
<b>Deadline</b>	<b>For all terms of reference from 1<sup>st</sup> July 2021</b>

<b>3. Call off contract for specialist IT auditors (Advisory)</b>	
<b>Rationale</b>	<b>Agreed Action</b>
The Service does not have any qualified specialist IT auditors in its establishment, preferring instead to obtain these from external suppliers when required. However, there is no set arrangement in place with any supplier meaning the Head of audit, Anti-fraud and Risk has to go through a procurement exercise each time resources are required. To speed up this process, we suggest consideration is given to setting up a call off contract with a suitable supplier for IT audit resources.	Enquiries will be made to identify and secure an appropriate IT audit specialist to advise and/or undertake specific IT audit work.
<b>Action Responsibility</b>	<b>Head of Internal Audit, Anti-Fraud and Assurance</b>
<b>Deadline</b>	<b>31<sup>st</sup> December 2021</b>

<b>4. Expand the use of data analytics (Advisory)</b>	
<b>Rationale</b>	<b>Agreed Action</b>
BIAS has used specialist software applications in the past for data analytics, but they are no longer doing so. The Council is developing its own data analytics processes, but it is likely to be some time before this is fully functional and as such the Head of Audit, Anti-fraud and Risk should consider obtaining a suitable application as an interim measure. There are a number of applications on the market that can be considered, although a common application that is used in the local government sector is IDEA, which is often coupled with the SmartAnalyser add-on tool, to provide an effective and efficient way of auditing the core financial and HR systems, and SmartExporter which is a SAP data extraction and analysis solution. BIAS is aware of the benefits achievable from developing their data analytics capability and have already included actions on their QAIP relating to the development of Power BI. However, until this is developed, we suggest they explore the functionality available in the specialist applications such as IDEA or one of the alternative products that are on the market.	Option for data analytic software will be explored alongside the in-house development of PowerBi.  Subject to the timescales for the use of PowerBi as an analytical tool for Internal Audit, the market leading applications will be considered for use as an interim solution.
<b>Action Responsibility</b>	<b>Head of Internal Audit, Anti-Fraud and Assurance</b>
<b>Deadline</b>	<b>31<sup>st</sup> December 2021</b>

<b>5. Succession planning (Advisory)</b>	
<b>Rationale</b>	<b>Agreed Action</b>
The Service is currently carrying a few vacancies which it plans to fill in the near future following a minor restructure of the Service. We suggest that the Head of Internal Audit, Anti-Fraud and Assurance takes the opportunity presented by the planned restructure to ensure that there is adequate succession planning in place for the key posts. This should ensure the Service can continue to operate should they lose one or more key employees.	The revised structure needs to address the immediate requirements of the Council and other clients.  However, a more medium / longer term resource plan will be developed to ensure succession planning across the structure.
<b>Action Responsibility</b>	<b>Head of Internal Audit, Anti-Fraud and Assurance</b>
<b>Deadline</b>	<b>31<sup>st</sup> March 2022</b>

<b>6. Using the Internal Audit intranet pages to disseminate information (Advisory)</b>	
<b>Rationale</b>	<b>Agreed Action</b>
Once the review of the internal audit pages on the Council's intranet is complete, the Service should consider using the intranet as a means of disseminating briefings to officers on topics such as good practice found during audits that could be adopted by other units in the organisation, or emerging risks that may have a wider impact on services that are peripheral to the services likely to be effected by the risk.	The review of the Services intranet site is part of the QAIP following a corporate review of the Council's intranet format.  A 'FAQ' and general advice element will be developed as part of the intranet site review.
<b>Action Responsibility</b>	<b>Head of Internal Audit, Anti-Fraud and Assurance</b>
<b>Deadline</b>	<b>31<sup>st</sup> October 2021</b>

## 10. Definitions

<b>Fully Conforms</b>	The internal audit service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
<b>Partially Conforms</b>	The internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit and conformance to the standards.
<b>Does Not Conform</b>	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the elements of the standards. These deficiencies will usually have a significant adverse impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the board.

Action Priorities	Criteria
<b>High priority</b>	The internal audit service needs to rectify a significant issue of non-conformance with the standards. Remedial action to resolve the issue should be taken urgently.
<b>Medium priority</b>	The internal audit service needs to rectify a moderate issue of conformance with the standards. Remedial action to resolve the issue should be taken, ideally within six months.
<b>Low priority</b>	The internal audit service should consider rectifying a minor issue of conformance with the standards. Remedial action to resolve the issue should be considered but the issue is not urgent.
<b>Advisory</b>	These are issues identified during the course of the EQA that do not adversely impact the service's conformance with the standards. Typically, they include areas of enhancement to existing operations and the adoption of best practice.

The co-operation of the Head of Internal Audit, Anti-Fraud and Assurance, the Audit Manager, and Auditor at BIA in providing the information requested for this EQA, is greatly appreciated. Our thanks also go to chairs of Audit Committees and the Finance Directors from BIA's clients that made themselves available for interview during the EQA process and/or completed questionnaires.

Ray Gard, CPFA, FCCA, FCIIA, DMS

27<sup>th</sup> June 2021

This report has been prepared by CIPFA at the request of the Barnsley Internal Audit Service's Head of Internal Audit, Anti-Fraud and Assurance, the terms for the preparation and scope of the report have been agreed with him. The matters raised are only those that came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, we have only been able to base findings on the information and documentation provided. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the issues that exist with their conformance to the Public Sector Internal Audit Standards that exist, or of all the improvements that may be required.

The report was prepared solely for the use and benefit of the Barnsley Internal Audit Service, including the senior management and boards of Barnsley Internal Audit Service's clients, and to the fullest extent permitted by law, CIPFA accepts no responsibility and disclaims all liability to any other third party who purports to use or rely, for any reason whatsoever on the report, its contents, conclusions, any extract, and/or reinterpretation of its contents. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

## Appendix A

### Summary of Survey Results

As part of the EQA process, CIPFA used a questionnaire to obtain the views of the key stakeholders from Barnsley Internal Audit Service's main clients. The questionnaire was sent to a total thirty-one key stakeholders and nineteen (61%) completed questionnaires were returned.

No.	Question	Percentage (%)			
		Agree	Partially Agree	Not Agree	N/A
1	The internal audit service is seen as a key strategic partner throughout the organisation.	95	5	0	0
2	Senior managers understand and fully support the work of internal audit.	95	5	0	0
3	Internal audit is valued throughout the organisation.	89	11	0	0
4	The internal audit service is delivered with professionalism at all times.	95	5	0	0
5	The internal audit service responds quickly to changes within the organisation.	79	16	0	5
6	The internal audit service has the necessary resources and access to information to enable it to fulfil its mandate.	69	26	5	0
7	The internal audit service is adept at communicating the results of its findings, building support and securing agreed outcomes	74	26	0	0
8	The internal audit service's recommendations consider the wider impact on the organisation	89	11	0	0
9	The internal audit service ensures that recommendations made are proportionate, commercial and practicable in relation to the risks identified.	68	32	0	0
10	There have not been any significant control breakdowns or surprises in areas that have been positively assured by the internal audit service	95	5	0	0
11	The internal audit service includes consideration of all risk areas in its work programme.	79	21	0	0

No.	Question	Percentage (%)			
		Agree	Partially Agree	Not Agree	N/A
12	Internal audit advice has a positive impact on the governance, risk management, and the system of control of the organisation.	95	5	0	0
13	Internal audit activity has enhanced organisation-wide understanding of governance, risk management, and internal control.	74	26	0	0
14	The internal audit service asks challenging and incisive questions that stimulate debate and improvements in key risk areas.	79	21	0	0
15	The internal audit service raises significant control issues at an appropriate level and time in the organisation.	89	11	0	0
16	The organisation accepts and uses the business knowledge of internal auditors to help improve business processes and meet strategic objectives.	74	26	0	0
17	Internal audit activity influences positive change and continuous improvement to business processes, bottom line results and accountability within the organisation	68	32	0	0
18	Internal audit activity promotes appropriate ethics and values within the organisation	84	16	0	0

Below are some comments extracted from completed surveys that management may wish to consider:

- At times Barnsley Internal Audit Service audit specialist, professional services. An 'even better' would be, and where appropriate, for a professional from the relevant service area (or external to the LA) who has the technical knowledge of the specialist area, to be part of the Internal Audit Team's audit. This could add value in supporting the Barnsley Internal Audit Service with providing the context and technical knowledge of that area, informing their audit and findings.
- Internal audit is really valued by services to provide a supportive check, challenge and assurance. It is integral to our programmes for continuous improvement.
- Internal audit support is invaluable on project work which is where my service has most dealings. Notable moves to being a more agile service in the last couple of years.
- The internal audit are a valued strategic partner and are very much an enabling function and critical friend. We work closely with audit colleagues and they play much more of an active role on key boards to have their input as things are developed and designed rather than just assuring it at a later date. I have found all the internal audit officers that I have come into contact with to be professional and competent.

- I have worked with various auditors over the last 5 years within Barnsley; they all approach their assignments with professionalism, listen and respond. They appear to have a good reputation across the Council; and always willing to help and support when required.
- The service provides appropriate challenge while fostering positive working relationships.
- As Internal Audit are external to the organisation the relationship is perhaps more distant than would be the case in an in-house arrangement. The nature of our business also means that some audit topics are "one off" in terms of the experience of the auditors carrying out the work, although this can be a good thing for both auditor and auditee. Given some of the risks we face Internal Audit cannot cover the whole range of risks in the risk register, however, they do address those that are susceptible to audit and have responded positively to our desire to use IA activity in areas where we have identified problems as part of the process of driving improvement. We have noticed a marked and welcome change in the attitude to ensuring both delivery of the plan and the chasing of responses. While we might not always welcome being chased it is right that the auditors should keep us focussed in this way. On a personal level having experienced IA in a number of local authorities and been responsible for managing it as a District Council s151 officer I am impressed by the quality of the service provided by BMBC.



## Agenda Item

<b>Subject</b>	<b>External Auditor's Annual Report</b>	<b>Status</b>	For Publication
<b>Report to</b>	Audit Committee	<b>Date</b>	
<b>Report of</b>	Director and Treasurer		
<b>Equality Impact Assessment</b>	Not Required	Attached	No
<b>Contact Officer</b>	George Graham Director	<b>Phone</b>	01226 772887
<b>E Mail</b>	<a href="mailto:ggraham@sypa.org.uk">ggraham@sypa.org.uk</a>		

### **1 Purpose of the Report**

- 1.1 To allow members of the Audit Committee to consider and comment on the External Auditor's Annual Report before it is received by the Full Authority.

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### **2 Recommendations**

- 2.1 Members are recommended to:
- a. **Note and comment on the External Auditor's Annual Report at Appendix A.**
  - b. **Refer the report to the Authority and in doing so consider whether they wish to make any specific recommendations.**

---

### **3 Link to Corporate Objectives**

- 3.1 This report links to the delivery of the following corporate objectives:  
**Effective and Transparent Governance**

To uphold effective governance showing prudence and propriety at all times.

### **4 Implications for the Corporate Risk Register**

- 4.1 This report does not address any specific corporate risks. However, the auditor's work does reflect on the effectiveness of the Authority's risk management arrangements.

### **5 Background and Options**

- 5.1 Each year the Authority's external auditor issues a number of reports on various elements of their work, such as the final accounts. These are all summarised in the Annual Report, which is attached at Appendix A. Good practice and transparency which will ultimately be reinforced by regulation dictate that this report should be publicly be considered by the equivalent of Full Council (in the case of SYPA the Full Authority). However, given this Committee's remit it makes sense for it to consider the matter before the Authority does so that the Authority can also consider any comments.

5.2 Deloitte will present the attached report and respond to any questions the Committee may have. However, the key messages for the Committee are on page 6 which indicates that the various aspects of the audit including the financial statements received a “clean” report and the auditor did not make any use of their statutory powers. The report also includes the full results of the Value for Money work undertaken by Deloitte in support of the new approach to this area set out in the Code of Audit Practice. This makes no specific recommendations and generally identifies that the Authority has the expected arrangements in place.

**6 Implications**

6.1 The proposals outlined in this report have the following implications:

Financial	None directly. As members may be aware audit fees within the local government sector are a significant issue and it is expected that there will need to be significant increases in fees in order to stabilise the audit market in future.
Human Resources	None
ICT	None
Legal	None
Procurement	None

**George Graham**  
**Director**

**Neil Copley**  
**Treasurer**

<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>

**Deloitte.**



## South Yorkshire Pensions Authority

Auditor's Annual Report 2020/21

15 September 21

# Contents

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## Auditor's Annual Report

Key messages	3
Purpose of the report	4
Assurance sources for the Authority	5
Opinion on the financial statements	6
Our financial statement audit approach	7
Financial statement audit significant risks	8
Our approach to Value for Money (VfM) arrangements	10
VfM commentary:	
• Financial sustainability	11
• Governance	13
• Improving economy, efficiency and effectiveness	15

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## Appendices

Purpose of our report	18
Authority's responsibilities	19
Auditor's responsibilities	20

# Key messages

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## Audit opinion on the financial statements

We issued an unqualified opinion on the Authority and Fund's financial statements on 13 August 2021.

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## The Authority's arrangements to secure Value for Money

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### Financial Sustainability

*How the body plans and manages its resources to ensure it can continue to deliver its services*

- The Authority recognised a surplus on the provision of services for the year ended 31 March 2021 of £172,000.
  - The Authority has a thorough annual financial planning and forecasting process and has set out a balanced Medium Term Financial Strategy from 2020/21 to 2022/23.
  - The Authority reports the financial position on a quarterly basis which includes an analysis of the actual expenditure incurred compared to budget.
- 

### Governance

*How the body ensures that it makes informed decisions and properly manages its risks*

- The Authority has a detailed risk management process in place and performed an assessment of the risks of Covid-19 during the year. The Authority maintains a Risk Management Framework and risk register, which are reviewed on a quarterly basis by the Authority.
  - The Authority has a number of policies in place to ensure it makes properly informed decisions. The Authority has an approved decision methodology for investment and divestment decisions, which includes approval by finance personnel, and other key factors. Where necessary, decisions will be reviewed by the executive management team for comment before going to Audit Committee for final approval.
- 

### Improving economy, efficiency and effectiveness

*How the body uses information about its costs and performance to improve the way it manages and delivers its services*

- The Authority assesses its performance through quarterly Corporate Performance Reports, which consider a number of measures, covering corporate, investment, pension administration and financial matters.
  - The Authority also engages with CEM benchmarking to perform benchmarking reviews on an ad hoc basis to identify areas for improvement. The most recent review performed was an investment cost effectiveness analysis undertaken in March 2020.
-

# Purpose of this report

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Our Auditor's Annual Report sets out the key findings arising from the work we have carried out at South Yorkshire Pensions Authority ("the Authority") for the year ended 31 March 2021.

This report is intended to bring together the results of our work over the year at the Authority, including commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM").

In preparing this report, we have followed the National Audit Office's ("NAO") Code of Audit Practice and its Auditor Guidance Note ("AGN") 07. These are available from the NAO's website.

Page 46

A key element of this report is our commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in the use of resources. Our work considering these arrangements is based on our assessment of the adequacy of the arrangements the Authority has put in place, based on our risk assessment. The commentary does not consider the adequacy of every arrangement the Authority has in place, nor does it provide positive assurance that the Authority is delivering or represents value for money. Where we find significant weaknesses in the Authority's VfM arrangements or areas where arrangements could be further strengthened, we include recommendations setting out what the Authority needs to do to strengthen its arrangements. We have found no significant weaknesses in our audit work for 2020/21.

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# Assurance sources for the Authority

The diagram below illustrates how the assurances provided by external audit around finance, quality, controls and systems, and the future of the Authority (set out in the green rows) fit with some of the other assurances available over the Authority's position and performance.

Page 47



# Opinion on the financial statements

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## **We provide an independent opinion on whether the Authority and Fund's financial statements:**

- Give a true and fair view of the financial position of the Authority and Fund at 31 March 2021 and of its income and expenditure for the year then ended;
- Have been properly prepared in accordance with the accounting policies directed by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21; and
- Have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

The full opinion and certificate are included in the Authority's Statement of Accounts, which can be obtained from the Authority's website.

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We conduct our audit in accordance with the NAO's Code of Audit Practice, International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We are independent of the Authority in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

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<b>Audit opinion on the financial statements</b>	We issued an unqualified opinion on the Authority's financial statements on 13 August 2021. We did not identify any matters where, in our opinion, proper practices had not been observed in the compilation of the financial statements.
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<b>Annual Governance Statement</b>	We did not identify any matters where, in our opinion, the Annual Governance Statement did not meet the disclosure requirements set out in the CIPFA Code of Practice, was misleading, or was inconsistent with information of which we are aware from our audit.
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<b>Narrative Report</b>	We are satisfied that the information given in the narrative report for the year ended 31 March 2021 is consistent with the financial statements.
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<b>Reports in the public interest and use of other powers</b>	We did not exercise any of our additional reporting powers in respect of the year ended 31 March 2021.
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<b>Audit Certificate</b>	We certified completion of the audit on 9 September 2021, following completion of our responsibilities in respect of the audit for the year ended 31 March 2021.
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# Our financial statement audit approach

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## **An overview of the scope of the audit**

Our audit was scoped by obtaining an understanding of the Authority and Fund and the environment they operate in, including internal control, and assessing the risks of material misstatement to the financial statements. Our risk assessment procedures include considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures. This enables us to determine the scope of further audit procedures to address identified risks of material misstatement.

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team, led by the audit partner, Nicola Wright. The audit team included integrated Deloitte specialists bringing specific skills and experience in local government pension schemes, property valuation and information technology systems.

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## **Materiality**

Our work is planned and performed to detect material misstatements. We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Authority to be £117k, on the basis of 2% of expenditure. We set materiality for the Fund as £98,600k, on the basis of 1% of net assets.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £6k for the Authority and £4,900k for the Fund as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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## **Procedures for auditing the Authority's financial statements**

Our audit of the Authority and Fund's financial statements included:

- developing an understanding of the Authority and Fund, including its systems, processes, risks, challenges and opportunities and then using this understanding to focus audit procedures on areas where we consider there to be a higher risk of misstatement in the Authority and Fund's financial statements;
  - interviewing members of the Authority and Fund's management team and reviewing documentation to test the design and implementation of the Authority and Fund's internal controls in certain key areas relevant to the financial statements; and
  - performing sample tests on balances in the Authority and Fund's financial statements to supporting documentary evidence, as well as other analytical procedures, to test the validity, accuracy and completeness of those balances.
- 

## **Approach to audit risks**

We focused our work on areas where we considered there to be a higher risk of misstatement. We refer to these areas as significant audit risks.

We provided a detailed audit plan to the Authority and Fund's Audit Committee setting out what we considered to be the significant audit risks for the Authority and Fund, together with our planned approach to addressing the risk. We have provided a summary of the significant audit risks on the next pages.

We have made recommendations in our Audit Committee reporting for improvement in the Authority and Fund's policies, procedures and internal controls based on observations from our work in relation to the IT environment. However, we do not consider these recommendations to reflect significant weaknesses in the Authority's VfM arrangements.

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# Financial statement audit significant risk

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## Management override of controls – Authority and Fund

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**Risk identified** In accordance with ISA 240 (UK), management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Authority's controls for specific transactions.

Note 4 of the Authority's financial statements details the assumptions made about the future and other major sources of estimation uncertainty.

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**Deloitte  
response**

**Manipulation of accounting estimates**

We tested the design and implementation of controls in relation to accounting estimates.

We tested accounting estimates, including the local government pension scheme liability valuation, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded and inputs to estimates to relevant supporting information.

**Manipulation of journal entries**

We tested the design and implementation of controls over journals.

We used data analytic techniques to select journals for testing with characteristics indicative of potential manipulation of reporting, focusing in particular upon manual journals.

**Accounting for significant or unusual transactions**

We considered whether any transactions identified in the year required specific consideration and did not identify any requiring additional procedures to address this key audit matter.

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**Key  
observations**

We did not identify any issues from this testing.

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# Financial statement audit significant risk

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## Valuation of directly held property - Fund

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**Risk identified** The Fund has a significant holding in directly held UK properties (31 March 2021 valued at £762m, split into Commercial property of £580m, and agricultural property of £182m). The valuation of these properties is based on assumptions such as rental returns and occupancy rates, geographical location and market trends.

Trading conditions in the retail sector have increased the uncertainty, and level of judgement, in the valuations of properties in this sector. These have been impacted significantly by the COVID-19 pandemic - with rental holidays, closure of offices and retail outlets as well as falling demand across the real estate market causing uncertainty across the year. These uncertainties are predominantly present in the commercial property portfolio, and we have therefore pinpointed our significant risk to commercial property, with the agricultural property portfolio being an area of audit focus.

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**Deloitte response** We tested the design and implementation of controls around the valuation of directly held properties  
We have assessed the reliability, competence and capabilities of managements expert.  
We have engaged with Deloitte Real Estate, our internal valuation specialists, who reviewed in detail a sample of property valuations. They assessed the assumptions used in the JLL valuation report to ensure they were materially accurate.

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**Key observations** We did not identify any issues from this testing.

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# Auditor's work on Value for Money (VfM) arrangements

The Accounting Officer and the Pensions Authority are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

The Accounting Officer reports on the Authority's arrangements, and the effectiveness with which the arrangements are operating, as part of their Annual Governance Statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied as to whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Under the National Audit Office's Auditor Guidance Note 3, we are required to assess arrangements under three areas:

<b>Financial Sustainability</b>	<i>How the body plans and manages its resources to ensure it can continue to deliver its services</i>
<b>Governance</b>	<i>How the body ensures that it makes informed decisions and properly manages its risks</i>
<b>Improving economy, efficiency and effectiveness</b>	<i>How the body uses information about its costs and performance to improve the way it manages and delivers its services</i>

In this report, we set out the findings from the work we have undertaken. Where we have found significant weaknesses in arrangements, we are required to make recommendations so that the Authority can consider them and set out how it plans to make improvements. We have not identified any significant weaknesses in arrangements.

In planning and performing our work, we consider the arrangements that we expect bodies to have in place, and potential indicators of risks of significant weaknesses in those arrangements. As a result of the Covid-19 pandemic, there have been changes in nationally led processes, changes in expectations around the Authority's arrangements, and events occurring outside of the Authority's control, which affect the relevance of some of these indicators. We have still considered whether these indicators are present, but have considered them in the context of the circumstances of 2020/21 in assessing whether they are indicative of a risk of significant weakness.

In addition to our financial statement audit, we performed a range of procedures to inform our VfM commentary, including:



Interviews with key officers, including Gillian Taberner (Head of Finance and Corporate Services) and George Graham (Director).



Review of Board and Committee reports and attendance at Audit Committee meetings.



Reviewing reports from third parties including internal audit.



Considering the findings from our audit work on the financial statements.



Review of the Authority's Annual Governance Statement and narrative report.

# VfM arrangements: Financial Sustainability

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## Approach and considerations

We have considered how the Authority plans and manages its resources to ensure it can continue to deliver its services, including:

- How the Authority ensures it identifies all the significant financial pressures that are relevant to its short and medium-term plans, and builds these into them;
- How the Authority plans to bridge its funding gaps and identifies achievable savings;
- How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Authority ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning; and
- How the Authority identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.

---

## Commentary

The Authority recognised a surplus on the provision of services for the year of £172,000. At 31 March 2021, the Authority had net liabilities of £12.2m (31 March 2020: £11.1m), net current assets of £1.6m (31 March 2020: £0.9m), and cash of £0.4m (31 March 2020: £0.4m). The net liability position is driven by the pensions liability and therefore is not considered a risk. The Authority's useable reserves have increased by £600,533 to £1,611,267. The reserves have been earmarked to finance the major capital projects planned by the Authority, the most significant being the refurbishment and fit-out of the new office premises in 2021/22.

There has been limited impact of the Covid-19 pandemic on the Authority. The Authority has implemented remote working during the year in line with the national guidance and incurred additional costs in relation to the purchase of IT equipment. However, as their expenditure is recharged to the Pension Fund, there has been no impact on the overall financial sustainability of the Authority.

The Authority has a thorough annual financial planning and forecasting process. The financial plan is considered as part of the overall operational planning process and this process is lead by the Director and Head of Finance. The Authority has a balanced Medium Term Financial Strategy for 2020/21 to 2022/23. In preparing the 2020/21 budget, the Authority has performed a full review of the base budget due to the significant changes that have occurred over the previous two years. This involved reviewing both the internal and external environments to ensure that all financial pressures were identified and factored in to the budget. The 2020/21 budget is linked to the corporate objectives and has been prepared to ensure the Authority has sufficient resources to deliver services.

# VfM arrangements: Financial Sustainability - continued

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## Commentary

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Due to the nature of the Authority, the expenditure incurred is funded by the Pension Fund in accordance with regulations. The Authority is, therefore, less exposed to the wider constraints on the public sector financial environment. As such, there is no funding gap or savings plans to consider. The Pension Fund is currently in surplus and has net assets of £9bn and therefore has sufficient resources to fund the expenditure of the Authority.

The Authority has a detailed risk management process. This includes a Risk Framework and a RAG rating system is used. The Authority maintains a risk register which is regularly reviewed and challenged by the Authority's Audit Committee and the South Yorkshire Local Pension Board. The only red rated risk is the 'impact of climate change on the value of the Fund's investment assets and its liabilities'. The Authority has a climate change policy in place and is considering alternative investment approaches as part of the investment strategy review.

The Authority reports the corporate performance on a quarterly basis, which includes a review of the financial position and an analysis of the actual expenditure incurred compared to budget. This allows the Authority to identify any changes in demand throughout the year.

# VfM arrangements: Governance

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## Approach and considerations

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We have considered how the Authority ensures that it makes informed decisions and properly manages its risks, including:

- how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the body approaches and carries out its annual budget setting process;
- how the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

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## Commentary

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As set out on the previous page, the Authority has a detailed risk management process in place. The Authority maintains a Risk Management Framework and risk register which are reviewed on a quarterly basis by the Authority. The risks identified are allocated to an owner to implement the mitigating actions. Due to the Covid-19 pandemic, the risk register was reviewed and risks identified relating to the pandemic were added to the risk register.

The Authority has a series of policies covering internal controls, including a whistleblowing and anti-fraud policy. These policies are readily available for all staff to review on the Authority's website.

The Authority engaged Hymans Robertson in July 2020 to perform an assessment of where they stand in relation to their legal requirements in respect of the LGPS, as well as the expectations of The Pensions Regulator and the themes emerging from the LGPS Scheme Advisory Board's Good Governance project. The overall conclusion was that 'the Authority is extremely well run and that its governance framework is excellent'.

The report made five recommendations:

- consider adopting a funding objective;
- consider reviewing the LGPS employer discretion policy to include all areas over which it has discretion;
- Review the arrangements whereby the roles of clerk, Monitoring Officer and s37 Officer are filled to ensure access to the expert advice and support;
- Amend the Local Pension Board Constitution to require that a member of the Board may not also be an observer at meetings or sub-committees of the Authority; and
- The Learning and Development Policy be extended to cover all those who attend Pension Committee and Board.

# VfM arrangements: Governance - continued

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## Commentary

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The annual budget setting is conducted as part of the annual planning exercise for which the Head of Finance and Director have executive responsibility. National and local guidance is assessed and used to form the basis of a number of assumptions in the plan. Current year performance is evaluated with notable variances explained to determine any ongoing impact. The budget seeks to explain year on year movements and any pressures are identified. There is a clear process in place to set the annual budget and this is approved by the Board and Audit Committee.

The Authority produces a quarterly corporate performance report which includes a review of the actual outturn position against the budget, and details any significant variances. This is reported to the Authority quarterly, which ensures there is sufficient oversight of the budget monitoring process. The report also includes non financial information and reports on how the Authority is achieving against its corporate plans.

The Authority has a number of policies in place to ensure it makes properly informed decisions which are detailed within the Authority's Constitution. The Authority has an approved decision methodology for investment and divestment decisions, which includes approval by finance personnel, and other key factors. Where necessary, decisions will be reviewed by the executive management team for comment and to determine if the proposal should be approved. Business cases with supporting information are submitted to the relevant committee for approval. This allows for challenge and transparency before decisions are approved.

The Authority has a number of staff policies in place including a code of conduct. These are all contained within the Constitution and are readily available for all staff to access. Declarations of interest are maintained for all senior members of staff and decision making officers.



# VfM arrangements: Improving economy, efficiency and effectiveness

## Approach and considerations

We have considered how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the Authority evaluates the services it provides to assess performance and identify areas for improvement;
- How the Authority ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- Where the Authority commissions or procures services, how the Authority ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the Authority assesses whether it is realising the expected benefits.

## Commentary

The Authority assesses its performance through quarterly Corporate Performance Reports which consider a number of measures including corporate, investment, pension administration and financial metrics. There is also quarterly reporting on the performance of the Pension Fund investments. These reports are presented to the Audit Committee.

The Authority engage CEM Benchmarking on an ad hoc basis to perform benchmarking reviews in areas such as pensions administration and investments. CEM Benchmarking performed an investments review for the six years up to March 2020. This showed the investments were performing ahead of the LGPS median with regards to the net total return. The report also placed the six year performance in the positive value added, low cost quadrant of the cost effectiveness chart.

The most significant partnership that the Authority is part of is the Border to Coast Pensions Partnership ('BCPP'). The Authority is both an investor in products and an owner in the company. BCPP currently manages 63.5% of the Pension Fund assets. BCPP provide monthly and quarterly reports to the Authority outlining their performance and compliance with mandates agreed with the Authority. These are reviewed by the Director.

BCPP have an annual internal controls review undertaken by KPMG who have produced an Independent Service Auditor's Assurance Report on Investment Management Control System for the period 1 January 2020 to 31 December 2020. This report is qualified due to a lack of documentation regarding the approval and monitoring of access rights to the system. We do not deem this to be a risk to value for money as there have been no issues identified through the monthly and annual monitoring of the BCPP investments.

# VfM arrangements: Improving economy, efficiency and effectiveness - continued

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## Commentary

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The Authority performs an annual review of BCPP. They have an annual review meeting involving the BCPP portfolio managers, senior management and the Authority's investment advisory panel and produce an annual review report. This covers the investment performance and the delivery of the partnership against the principles and the Authority's objectives. The annual report review includes a number of recommendations to ensure the partnership continues to provide the Authority with the expected benefits. The key recommendations were:

- The Authority and Company should work together to provide a quantitative analysis of the value added for SYPFA by the pooling process;
- The Authority should seek to agree quarterly investor calls for each internally managed funds so that officers from all investors can gain greater understanding of the factors driving the positioning of the portfolios; and
- The Authority should keep under continual review the lot sizes being achieved within the Alternative portfolios and if at the next annual review the lot size is not achieving the targeted level, the Authority will seek proposals from the Company to address this.

The Authority has plans in place to address each of the recommendations to ensure that the best value is gained from the pooling partnership.

# Appendices

Page 59



# Purpose of our report and responsibility statement

## What we report

Our report fulfils our obligations under the Code of Audit Practice to issue an Auditor’s Annual Report that brings together all of our work over the year, including our commentary on arrangements to secure value for money, and recommendations in respect of identified significant weaknesses in the Authority’s arrangements.

## What we don’t report

Our audit was not designed to identify all matters that may be relevant to the Authority.

Also, there will be further information the Pensions Authority need to discharge their governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and work under the Code of Audit Practice in respect of Value for Money arrangements.

## The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

## Use of this report

This report is made solely for the Pensions Authority and Pension Fund, as a body, in accordance with the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in our Auditor’s Annual Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed

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# Appendix 1: Authority's responsibilities

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Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Treasurer as Accounting Officer of the Authority, is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Accounting Officer is required to comply with the CIPFA code of practice and prepare the financial statements on a going concern basis, unless the Authority is informed of the intention for dissolution without transfer of services or function to another entity. In applying the going concern basis of accounting, the Accounting Officer has applied the 'continuing provision of services' approach set out in the CIPFA code of practice as it is anticipated that the services the Authority provides will continue into the future.

The Accounting Officer is required to confirm that the Statement of Accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for patients, regulators and stakeholders to assess the Authority's performance, business model and strategy.

The Accounting Officer is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of the Authority's resources, for ensuring that the use of public funds complies with the relevant legislation, delegated authorities and guidance, for safeguarding the assets of the Authority, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Accounting Officer and the Board are responsible for ensuring proper stewardship and governance, and reviewing regularly the adequacy and effectiveness of these arrangements.

# Appendix 2: Auditor's responsibilities

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## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Auditor's responsibilities relating to the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required under the Code of Audit Practice and the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the foundation Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance, published by the Comptroller & Auditor General in April 2021, as to whether the Authority has proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Authority a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021. Other findings from our work, including our commentary on the Authority's arrangements, are reported in our Auditor's Annual Report.

## **Auditor's other responsibilities**

We are also required to report to you if we exercise any of our additional reporting powers under the Local Audit and Accountability Act 2014 to:

- make a written recommendation to the Authority, copied to the Secretary of State;
- make a referral to the Secretary of State if we believe that the Authority or an officer of the Authority is:
  - about to make, or has made, a decision which involves or would involve the Authority incurring unlawful expenditure; or
  - about to take, or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency; and
- consider whether to issue a report in the public interest.



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## Agenda Item

<b>Subject</b>	<b>Process for Future External Audit Appointments</b>	<b>Status</b>	For Publication Not For Publication
<b>Report to</b>	Audit Committee	<b>Date</b>	21 <sup>st</sup> October 2021
<b>Report of</b>	Director and Treasurer		
<b>Equality Impact Assessment</b>	Not Required	Attached	Yes
<b>Contact Officer</b>	George Graham Director Neil Copley Treasurer	<b>Phone</b>	01226 772887  01226
<b>E Mail</b>	<a href="mailto:ggraham@sypa.org.uk">ggraham@sypa.org.uk</a> n		

### **1 Purpose of the Report**

- 1.1 To secure a recommendation from the Audit Committee to the Authority in relation to the route to be used for procuring an external auditor at the end of the current contract.

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### **2 Recommendations**

- 2.1 Members are recommended to:
- a. **Recommend to the Authority that future external audit services be procured through the Public Sector Audit Appointments arrangements.**

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### **3 Link to Corporate Objectives**

- 3.1 This report links to the delivery of the following corporate objectives:

#### **Effective and Transparent Governance**

To uphold effective governance showing prudence and propriety at all times.

### **4 Implications for the Corporate Risk Register**

- 4.1 The actions outlined in this report do not specifically address any identified corporate risks.

## **5 Background and Options**

- 5.1 The Authority's current external auditors, Deloitte LLP, were appointed through national procurement arrangements put in place by Public Sector Audit Appointments Ltd (PSAA), an organisation created and owned by the LGA. Around 99% of principal local authorities, police and fire authorities and other bodies such as National Parks and SYPA subject to the full local authority audit regime made use of this procurement route, rather than the more convoluted arrangements specified in the Local Audit and Accountability Act 2014 to make a local appointment.
- 5.2 Members will be aware of the issues within the local audit market which have been exacerbated but not caused by the pandemic. The combination of shortening accounts deadlines, ever more stringent auditing standards, many of which are arguably not wholly relevant to the local government sector, a declining level of specialist expertise and fee levels which are too low given the level of work required have all resulted in many sets of accounts not being audited on time and large fee variations. While the Authority's size and specialist nature has to some extent insulated us from the worst aspects of this, we have seen increased fees and a need for additional testing and audit procedures.
- 5.3 PSAA's current contracts come to an end following the completion of the 2022/23 accounts audit and the Authority is now being asked to consider whether it wishes to sign up to the next PSAA procurement, which will cover 5 years from the 2023/24 accounts. A decision is required by March 2022 and must be taken by a meeting of the Full Authority (as the equivalent of full council). The alternative is to make a separate appointment either for the Authority alone or in collaboration with other local authorities in South Yorkshire.
- 5.4 An appointment process for the Authority alone would be time consuming and costly as additional external support would be required in the evaluation. In addition it is not clear that a relatively small audit of this sort let as a free-standing contract would attract interest from a potential field which is limited to a small number of firms approved to carry out local authority audits. Thus, this can be ruled out.
- 5.5 The option of working with other local authorities in South Yorkshire is attractive, particularly if such an arrangement could attract a single audit firm for the whole system within the County. Bundled together this would certainly be attractive to the market and could generate additional benefits such as the need to locate a core team somewhere in the County. However, given the other pressures facing the various organisations it is not felt that it would be sensible to devote what would inevitably be not inconsiderable and quite senior resources to such a process at the present time.
- 5.6 Consequently, the option of using the PSAA arrangements is the one that is most convenient and most deliverable. However, from a purely SYPA point of view this is not without risk. As a relatively small audit, albeit one with a number of specialist features there is a danger that we are used as a makeweight to balance our workload between various providers, rather than focussing on the organisation's specific needs. This approach is also likely to result in a similar position to the current one where the local authorities within the County are audited by different firms adopting different approaches and interpretations of auditing standards.

- 5.7 While the procurement process to be undertaken by PSAA will seek to address some of the challenges posed by the current market situation solving them is a much wider issue which the Government is addressing through its response to the Redmond Review.
- 5.8 Ultimately given the impracticality of carrying out a local procurement with other South Yorkshire Authorities there seems to be little option but to recommend to the Full Authority that the procurement of the next external audit contract be undertaken through the PSAA arrangements.

## 6 **Implications**

- 6.1 The proposals outlined in this report have the following implications:

Financial	None directly from this report. However, given the well-publicised issues within the local authority audit market it is expected that there will be a significant increase in fees following the next procurement exercise.
Human Resources	None
ICT	None
Legal	The proposed procurement route conforms to the requirements of the Local Audit and Accountability Act 2014.
Procurement	The procurement will be carried out in a legally compliant way.

**George Graham**  
Director

**Neil Copley**  
Treasurer

<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>
Correspondence from Public Sector Audit Appointments	SYPA Offices Floor 8 Gateway Plaza Barnsley.

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## Agenda Item

<b>Subject</b>	<b>Progress Update on Audit Recommendations</b>	<b>Status</b>	For Publication
<b>Report to</b>	Audit Committee	<b>Date</b>	21/10/2021
<b>Report of</b>	Head of Finance and Corporate Services		
<b>Equality Impact Assessment</b>	Not Required	Attached	Na
<b>Contact Officer</b>	Gillian Taberner Head of Finance & Corporate Services	<b>Phone</b>	01226 772850
<b>E Mail</b>	<a href="mailto:GTaberner@sypa.org.uk">GTaberner@sypa.org.uk</a>		

## **1 Purpose of the Report**

- 1.1 To update Members on the actions being taken in response to audit recommendations made by both internal audit and external audit during the current financial year and in previous financial years.
- 

## **2 Recommendations**

- 2.1 Members are recommended to:
- a. **Note the progress being made on implementing audit recommendations;**
  - and
  - b. **Consider if any further information or explanation is required from officers.**
- 

## **3 Link to Corporate Objectives**

- 3.1 This report links to the delivery of the following corporate objectives:  
**Effective and Transparent Governance**

To uphold effective governance showing prudence and propriety at all times.

- 3.2 The reporting of audit findings and recommendations is a key part of providing assurance on the adequacy of the Authority's corporate governance arrangements, particularly those relating to internal control and financial and risk management.

## **4 Implications for the Corporate Risk Register**

- 4.1 The contents of this report do not link to a specific risk in the corporate risk register; instead they set out the actions being taken in a number of areas that will contribute to addressing various risks in relation to operations and governance as detailed in the original audit reports.

## **5 Background and Options**

- 5.1 The Authority's Local Code of Corporate Governance sets out the framework in which the Authority complies with the seven principles of good governance; one of which is "*managing risks and performance through robust internal control and strong public financial management*". One aspect of achieving this is having arrangements for assurance and effective accountability in place and ensuring that recommendations made by both external audit and internal audit are acted upon.
- 5.2 The Audit Committee receives reports of the external auditor and of the Head of Internal Audit at regular intervals throughout the financial year. The report attached at Appendix A summarises the actions taken, and progress being made on implementing the audit recommendations from audit reviews during the current and previous financial years.
- 5.3 Members will note that there are several areas in which actions are being taken to address the findings and implications from the internal audit reviews. The number of areas and actions in progress is partly a reflection of the fact that SMT commissioned audit reviews in those areas that had been identified as requiring improvement so that the audit findings would help to focus the improvement process and actions.
- 5.4 The tables in the attached appendix show the actions that have been fully completed since the last report as well as the status and progress being made on the remaining outstanding action plans, and this will continue to be actively monitored.
- 5.5 The progress on implementation will continue to be reported to the Audit Committee at regular intervals.

## **6 Implications**

- 6.1 The proposals outlined in this report have the following implications:

Financial	No additional financial implications; the costs of the internal audit service and the fees for the external audit are met from existing budgets.
Human Resources	None
ICT	None
Legal	None
Procurement	None

**Gillian Taberner**

**Head of Finance & Corporate Services**

<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>
None	-

Table 1: Progress Updates on Actions Agreed from Internal Audit Reviews

Audit Review Title	Report Issued Date	Finding / Implication	Progress Update	Officer Responsible and Timescale
HR Governance	22/01/2020	Ensure the 3-year policy review programme is completed.	The 3-year review programme remains on target for completion by end of October 2021. Progress is reviewed by the Senior Management Team on a quarterly basis allowing work to be prioritised between this activity and other equally important HR related work that needs to be undertaken.	HR Business Partner & SMT  31 October 2021
HR Governance	22/01/2020	Implement a corporate approach to the management of training and development.	The HR Undergraduate placement is now in place and the Authority has adopted LinkedIn Learning as its online learning platform. A programme of work is now being developed which will put in place specific learning paths for individual staff and allow monitoring of progress. This will be an ongoing piece of work which will continue as we further develop training requirements for specific roles, but significant progress should be evident by 31/12/2021.	Director  31 December 2021
Purchase to Pay	27/08/2020	Ensure the contract register published is fully comprehensive and kept up to date.	The Governance & Risk Officer will be tasked with review of the register and ensuring all relevant contracts are included in the published information as required. It will then be their responsibility to monitor this on an on-going basis. The officer is now in post and will be undertaking a full review during quarter 3 of 2021/22. Therefore, we have revised our target timescale for this to 31/01/2022.	Head of Finance & Corporate Services  Revise to: 31 January 2022
Procurement - Insurance	29/10/2020	Legislative / regulatory compliance; absence of effective and robust management trail increases risk of potential supplier challenge.  Contract formalities – ensuring that contracts are signed / sealed in accordance with Contract Standing Orders (CSOs)	The Governance & Risk Officer is now leading on the work required here and this is in progress currently. The original target date of 30/09/2021 has proved not to be achievable because:  a) The Governance & Risk Officer is also leading on arrangements for our move to Oakwell House in Nov 2021 which is the priority  b) The YORtender system is moving to a new platform which has had an impact on some of our plans around training due to availability of BMBC procurement team.  Therefore, we have revised our target date to 30/04/2022.	Head of Finance & Corporate Services  Revise to: 30 April 2022

Progress Update on Audit Recommendations  
Appendix A

Audit Review Title	Report Issued Date	Finding / Implication	Progress Update	Officer Responsible and Timescale
Accounts Receivable	11/03/2021	Lack of a formal debt recovery procedure may result in uncertainty of roles, responsibilities, inconsistencies, etc.	<p>Agreed actions are to undertake a full review of the procedures for credit control and debt recovery and document a new policy and procedure. This will be carried out as part of implementing the new team structure and new finance system which will provide enhanced functionality for debt chasing and reporting.</p> <p>The original target timescale has slipped due to having staff vacancies / turnover. The new finance system is due to go live in November 2021 and we will work on developing &amp; documenting the enhanced processes from then.</p>	<p>Financial Services Manager</p> <p>Revise to 31 March 2022.</p>
Pensions Pooling Arrangements		Lack of a detailed Action Plan, including Action Owners and Target Implementation Dates, impacting on the effectiveness of monitoring of progress made to implement the recommendations. This may result in the recommendations not being fully addressed in relation to performance management.	The latest Annual Review of the Partnership was considered by the Authority at its September 2021 meeting. An action plan will now be constructed and will be monitored as part of the overall corporate performance management process.	<p>Director</p> <p>30 September 2021</p>



Table 2: Actions Fully Completed Since Last Report

Audit Review Title	Report Issued Date	Finding / Implication	Progress Update	Officer Responsible and Timescale
Staff Payroll	20/02/2020	A review of the Staff Payroll procedures identified that they needed to be reviewed and enhanced to include the roles and responsibilities of all payroll staff, the receipt and types of source documentation to be provided to payroll, the controls in place for all payroll data to be approved by an authorised signatory and reference to the Authority's Financial Regulations.	This has now been completed; the staff payroll procedures document has been updated. The procedure manual has been fully updated and reviewed, and as officers are being trained, they will sign and confirm their understanding of their role and responsibilities.	Head of Finance & Corporate Services  31 August 2021  IMPLEMENTED
Fund Contributions	26/02/2021	Ensure updated and detailed procedural guidance is put in place for the new process of collecting Fund Contributions by direct debit.	A procedure manual has now been created for the new direct debit collection process by a member of the finance team. The new procedure has been "walked through" by the financial services manager to ensure that it is comprehensive and effective.	Financial Services Manager 30 Sept 2021  IMPLEMENTED
Pensions Review Process		Lack of policy and procedural guidance in relation to Child Pensions Review process.	<p>A comprehensive new process map has been built within UPM. The revised process has bespoke guidance and process notes built in to ensure pension officers are fully aware of the appropriate actions to take at any given stage. The guidance has been drawn up by the working group and peer reviewed by 4 subject matter experts from across the Benefits Team by following sample cases through the process in a test environment.</p> <p>The Head of Pensions Administration has been walked through the new process map and is satisfied that it meets all regulatory requirements as well as best practice around monitoring of child pensions over the age of 18. The roles and responsibilities of the officers involved will be kept under review as part of a wider review of delegated powers.</p>	Benefits Team Manager  30 Sept 2021  IMPLEMENTED

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## Agenda Item

<b>Subject</b>	<b>Annual Review of the Risk Management Framework</b>	<b>Status</b>	For Publication
<b>Report to</b>	Audit Committee	<b>Date</b>	21 <sup>st</sup> October 2021
<b>Report of</b>	Director		
<b>Equality Impact Assessment</b>	Not Required	Attached	No
<b>Contact Officer</b>	George Graham Director	<b>Phone</b>	01226 772887
<b>E Mail</b>	<a href="mailto:ggraham@sypa.org.uk">ggraham@sypa.org.uk</a>		

### **1 Purpose of the Report**

- 1.1 To allow members of the Committee to consider the annual review of the Risk Management Framework.
- 

### **2 Recommendations**

- 2.1 Members are recommended to:
- a. Note the contents of this report and consider whether any additions or changes are required to the Risk Management Framework.**
- 

### **3 Link to Corporate Objectives**

- 3.1 This report links to the delivery of the following corporate objectives:  
**Effective and Transparent Governance**

To uphold effective governance showing prudence and propriety at all times.

### **4 Implications for the Corporate Risk Register**

- 4.1 The issues dealt with in this report concern the effectiveness of the risk management framework rather than any specific individual risk.

### **5 Background and Options**

- 5.1 The terms of reference of the Audit Committee require that it review the Risk Management Framework on an annual basis. This report is intended to fulfil that requirement.
- 5.2 The Risk Management Framework is at Appendix A and the current corporate risk register (as reviewed at the last meeting of the Authority) at Appendix B.

- 5.3 The last 12 months have continued to test the Authority as never before, and this has included testing the effectiveness of our risk management arrangements. In general terms these have worked well, and the risks faced by the organisation have been effectively mitigated, given that activity has continued some impact on the timeliness of processing and no significant change in the volume of complaints received. The management of investment risks has also been undertaken more actively through the continual rebalancing of the Fund in response to the incredibly strong equity returns that have been achieved.
- 5.4 The Senior Management Team have continued to review the risk register on a monthly basis and update scores and mitigations as necessary, together with commentary to support the making of changes to scores (or not). This provides members of the Authority with assurance that risk management arrangements at an operational level are being operated as intended.
- 5.5 The project to deliver the Authority's new office at Oakwell House has also been the subject of a separate more detailed risk register which is being maintained by the Authority's appointed project manager. As the project progresses key risks are gradually being eliminated and the levels of risk reduced, although there will continue to be a number of risks present until the building is in full operational use.
- 5.6 Given that the Risk Management Framework continues to operate effectively it is not proposed to make any substantive changes to it this year, although some presentational changes and tidying up of the text have been made, and members are asked to endorse this approach.

**6 Implications**

6.1 The proposals outlined in this report have the following implications:

Financial	None directly
Human Resources	None directly
ICT	None directly
Legal	None directly
Procurement	None directly

**George Graham**

**Director**

<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>

# Risk Management Framework October 2021

## Contents

Foreword	3
Objectives of SYPA’s Risk Management Policy	4
How will we deliver the objectives of the Risk Management Policy?	5
How will we know if we have achieved our risk management objectives?	6
The Risk Management process	7
Risk Identification and recording	7
Risk Assessment or Scoring	8
Risk Matrix	9
Risk Mitigation	9
Risk Review	10
Risk Tolerance/Acceptance	11
Guidance, training and facilitation	12
Assurance	12

## Foreword

Risk impacts in every activity undertaken by the Pensions Authority, and we need to ensure that the risks we face are both recognised and addressed to ensure that we can successfully achieve the strategic objectives set out in our corporate strategy. This policy sets out the framework which we will use to do this. But as important as having a clear framework is the attitude we take to risk and the degree of risk we are prepared to accept.

As an organisation responsible for significant investments, we recognise that only by taking some degree of risk will we receive the returns (which are in essence the value of risk) we need to ensure that pensions can be paid. However, it is not our job to take excessive risks and consequently we have defined our appetite for risk as “moderate”. This risk appetite applies to all aspects of our work and very much reflects the culture of the organisation across all aspects of its work.

Having a policy of this sort is crucial to ensuring that we only take risks that are within this risk appetite and that managers across the organisation consistently reflect on risk in their planning and decision-making processes.

Against this background where some risk will always exist SYPA has a duty to manage those risks with a view to safeguarding its employees, protecting its assets, and protecting the interests of stakeholders such as scheme members and employers.

We meet this duty by adopting best practice in risk management which supports a structured and focussed approach to managing risks and ensuring that risk management is an integral part of the governance of the Authority at all levels.

The overall aim is to embed risk management into our processes and culture so that these techniques help us to achieve our corporate objectives and enhance the value of services that are provided to scheme members and employers.

## Objectives of SYPA's Risk Management Policy

The objectives of this policy are to:

- Ensure that appropriate levels of risk management are embedded into the culture and day to day activities of the Authority.
- Raise awareness of the need to manage risks amongst all those concerned with the delivery of the Authority's services, including partners and scheme employers.
- Enable the Authority to anticipate and respond positively to change.
- Establish and maintain a robust framework and procedures for the identification, analysis assessment and management of risk, and the reporting and recording of events based on best practice.
- Ensure the consistent application of this framework and procedures across all aspects of the Authority's work, including significant projects.
- Minimise the costs of risk, while maximising the returns achieved by taking managed risks.

These objectives need to be overlaid on to the objectives set out in the Authority's corporate strategy and the combination of these objectives and our risk appetite will determine how we go about delivering the corporate strategy objectives.



## How will we deliver the objectives of the Risk Management Policy?

We will take a number of steps to ensure that the objectives of the Risk Management Policy are delivered, and that the organisation is aware of the risks which it faces. Principally we will:

- Ensure that the management of relevant risks within their sphere of operations is a key accountability of all managers.
- Record allocate ownership and assess the severity of the key risks facing the organisation in a Corporate Risk Register which will form part of the Corporate Planning Framework.
- Regularly review the Corporate Risk Register (monthly at the Senior Management Team and quarterly by the Authority as part of the performance management framework) in order to ensure that identified mitigations are being undertaken and are resulting in material changes in risk scores, and to identify new risks.
- Ensure that major projects being undertaken by the Authority have their own risk register maintained by the designated project manager and are reviewed on a regular basis (not less than monthly by the Project Team) with reporting to either the relevant Head of Service or the Senior Management Team collectively where the project impacts more than one service area.
- As part of the corporate planning process annually assessing the Authority's risk appetite, and then reflecting this assessment in the scoring of the corporate risk register.

Ensure that all reports for meetings of the Authority, its Committees and the Local Pension Board identify the impacts of proposed actions on the corporate risk register and any specific risks associated with the actions proposed.

## How we will know if we have achieved our risk management objectives?

Because the Risk Management Framework applies to how we do things, rather than what we do we are only really likely to know that the risk management framework is there, and its objectives have not been achieved when something goes wrong because we have failed to effectively manage the risks involved. If we manage to deliver all the various outcomes and outputs within the corporate strategy on time and on budget then self-evidently, we will have managed risk effectively, even though how we have done it may not be particularly apparent.

Thus, the success of this framework should be judged through the overall success of the organisation in delivering its corporate objectives and major projects. The other way of judging the effectiveness of the framework is through the way we operate demonstrating a number of key characteristics which are:

- The work of the organisation being delivered in a consistent and controlled way.
- A structured approach to planning, decision making and prioritisation which recognises the relevant threats and opportunities and drives the allocation of resources.
- A focus on the protection of assets, including the Authority's image/reputation, and knowledge base.
- A focus on achieving maximum operational efficiency.

The effectiveness of management and controls in these areas forms part of the assessment required to produce the Annual Governance Statement and is also reflected in the planned work of Internal Audit and the work external auditors carry out in relation to the Value for Money conclusion.

## The Risk Management process

The risk management process requires that every relevant risk:

- Is identified, recorded, described and owned by a named manager.
- Assessed (or scored) in terms of the overall degree of ‘concern’ regarding the risk.
- Mitigated, and
- Reviewed.

Risks are contained in either:

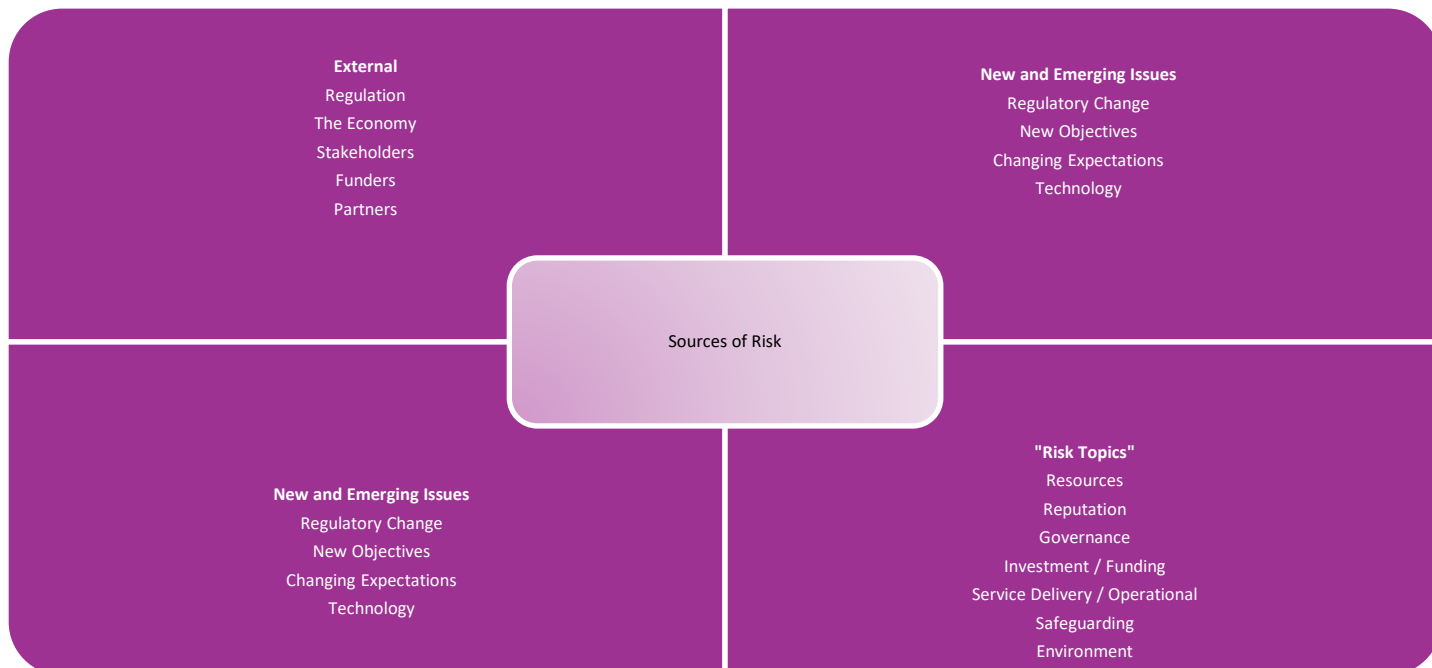
- A specific risk register linked to a major corporate project.
- The corporate risk register.

Each risk must be reviewed on a regular (at least monthly basis) to identify whether the mitigations identified have succeeded in reducing the degree of concern caused by each risk.

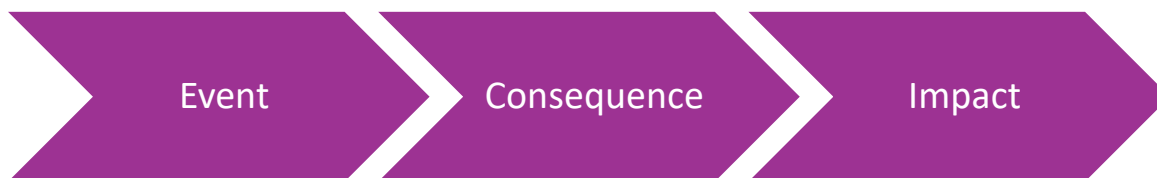
### Risk Identification and Recording

Identification of risks will be undertaken by the Senior Management Team in relation to items for inclusion on the Corporate Risk Register and by the relevant Project Team in relation to project related risks. The relevant team will decide collectively whether the degree of ‘concern’ associated with each specific issue merits its inclusion on the risk register. The Senior Management Team and Project Teams may use a variety of methods to identify risks including facilitated workshops, checklists, and process mapping.

No method of risk identification will capture all possible risks, but the graphic below illustrates the key sources and types of risk.



In order to properly express the risk, it needs to be considered as an **event** which if it manifests will have a **consequence** which may then have a negative **impact** on the achievement of the organisation’s objectives, as illustrated below.



Once identified risks must be recorded in the risk register. The Corporate Risk Register and any project risk registers will each have single identified owners responsible for maintaining the integrity of the register including version control, control over additions and deletions and amendments. The information recorded in relation to each risk when added to the register will comprise:

- A clear description of the risk and an appropriate title to provide a headline summary of the issue.
- The owner of the risk.
- The control measures currently in place.
- The score for the risk based on the current controls in place.
- Further control measures (mitigations) to be put in place (each additional mitigation should have an owner and review date).
- The score for the risk once the additional control measures have been put in place (the target score).

Significant additional mitigations will be identified for delivery either within the Corporate Strategy or as an objective for an individual member of staff in the appraisal process.

### **Risk Assessment or Scoring**

Any risk included in the risk register is likely to be significant, but in order to understand the priority that should be attached to mitigating any particular risk it is important to understand the relative significance of risks.

This is achieved through a process of assessment or scoring which looks at each risk in two dimensions:

- The probability of the risk event taking place; and
- The impact of the event.

The grid set out below then allows an overall risk score to be attached to each identified risk, based on both the current position and the intended (or target) position following the implementation of identified mitigations.

## Risk Matrix

<b>IMPACT</b>	5 Very High	5	10	15	20	25
	4 High	4	8	12	16	20
	3 Medium	3	6	9	12	15
	2 Low	2	4	6	8	10
	1 Very Low	1	2	3	4	5
		1	2	3	4	5
		Very Low	Low	Medium	High	Very High
		<b>PROBABILITY</b>				

The definitions of impact and probability relating to the work of the Authority are set out in Appendix 1. Because of the different nature of the Authority’s investment and other operations, particularly in terms of financial scale, there is a differentiated approach to the metrics used to support the scoring process across the different aspects of the Authority’s work.

## Risk Mitigation

Each risk recorded should also have one or more actions identified which will reduce (mitigate) either the likelihood or impact of the event. It is important to ensure that each mitigation is proportionate to the risk and that the resources (whether cash or time) required to successfully mitigate the risk are not greater than the potential impact of the risk should the event occur.

Identified mitigations must all have an owner who will be the manager best placed to undertake the required action. In addition, mitigations should be SMART, that is:

- S** – Specific
- M** – Measurable
- A** – Achievable
- R** – Resourced
- T** – Time bound

The individual performance management process (appraisal and 1:1’s) is used to monitor progress on delivery of mitigations, with major items being reported back on through the corporate performance report as these will be reflected as actions within the corporate strategy.

## Risk Review

Each risk register (and hence each risk) is subject to a formal review on a not less than monthly basis (for some major projects at some stages of the project life cycle reviews will need to be more frequent). Reviews should be formally recorded in the minutes/notes of the relevant meeting of the Senior Management Team or Project Team, prior to the updating of the register. These records need only refer to amendments agreed to either scoring or mitigations, or the addition or deletion of specific risks. The review discussion must consider:

- i. Whether the risk continues to be described appropriately. It can be the case that changed circumstances mean a description ceases to be appropriate and therefore the description should be changed.
- ii. Whether the risk owner remains appropriate.
- iii. Whether the current controls are suitable. For example have new controls been developed or have current controls failed.
- iv. Whether the current and target risk scores are correct. For example have there been “near misses” or changes to circumstances which necessitate a change in the scores.
- v. Whether the mitigations identified are still relevant:
  - a. Have mitigations been completed and therefore become current controls, which would require a reassessment of the score.
  - b. Whether ongoing mitigations require a new review date.
  - c. Whether the mitigation owner remains appropriate.
  - d. Whether there are potential new mitigations.
- vi. Whether there are additional risks to consider for inclusion in the register.

Following a risk review where amendments have been agreed the risk register should be updated by each risk owner to reflect the decisions of the Senior Management Team or Project Team. The updates must include an indication of the movement in the score for any risk and some commentary as to the changes made and the reasons for them.

Following each review of a project risk register those risks falling outside the defined acceptance levels should be escalated to the Senior Management Team for consideration and possible inclusion in the Corporate Risk Register.

## Risk Tolerance/Acceptance

It is accepted that there are some risks which have to be taken in order to achieve specific objectives and where the degree of risk cannot be effectively mitigated, however these cases should be relatively rare, and they should be recognised and reported on through the overall reporting processes outlined in this framework. However, in general, the organisation works within an understood risk tolerance or acceptance level (sometimes called a risk appetite), and where risks achieve this level they can be addressed on a more passive “care and maintenance” basis, allowing resources to be devoted to more urgent priorities.

The risk appetite or tolerance can be defined as the overall level of exposure to risk which is deemed acceptable within the organisation. It is a series of boundaries authorised by Senior Management in order to give clear guidance on acceptable levels of risk.

Risk appetite is translated into tolerance or acceptance levels which are defined by Current and Target risk assessment scores for individual risks. Risks which fall outside of the agreed tolerance/acceptance levels are reported to senior management, using the model set out below:

Current Category Score	Target Category Score	Comment
1 – 5 (Green)	1-5 (Green)	Monitored and reviewed through risk register reviews
6-12 (Amber)	1-5 (Green)	Managed and monitored through risk register reviews
6-12 (Amber)	6-12 (Amber)	Managed and monitored through risk register reviews
15-25 (Red)	1-5 (Green)	Managed and mitigated through risk register reviews
15-25 (Red)	6-12 (Amber)	Managed and mitigated through risk register reviews
15-25 (Red)	15-25 (Red)	Escalated

All decision-making reports are required to provide details of any potential significant risks arising from the matters considered in the report. The report must include specific references to the significant risks associated with the proposal, alongside assurances that appropriate mitigations are (or will be) in place. This ensures that report authors provide accurate and appropriate information with regard to the management of risk.

## Guidance, training, and facilitation

Comprehensive information on the risk management framework can be found on the Authority's website.

Where necessary training can be provided for individual officers or for members. Any specific requirements should be discussed with a member of the Senior Management Team.

## Assurance

The provision of assurance that risks are identified, understood, and appropriately managed is an essential measure of the adequacy and effectiveness of the organisation's risk management arrangements.

The Senior Management Team are responsible for ensuring that the following actions are undertaken in order to provide appropriate assurance to elected members and other stakeholders.

- An update on changes to the Risk Register within the Corporate Performance report presented to meetings of the Pensions Authority.
- A half-yearly formal review of both the risk register and the risk management process presented to the Authority's Audit Committee.
- The inclusion within all reports to the Authority, its Committees and the Local Pension Board of a mandatory section allowing proper consideration of the risks involved in the proposals being made.

In addition, the Authority's Internal Audit function will undertake an annual independent review of the organisation's risk management arrangements. This review is intended to provide independent and objective assurance regarding the adequacy and effectiveness of the Authority's risk management arrangements. The audit focuses on:

- Verifying the existence of risk registers and relevant action plans.
- Analysing whether risk management is being actively undertaken across the organisation; and,
- Providing appropriate advice and guidance as to further improvements in risk management processes and procedures.

Risk management arrangements are also reviewed as part of the process which supports the production of the Authority's Annual Governance Statement.



## Appendix 1

### Detailed Risk Assessment and Scoring Methodology

A 5 x 5 risk matrix covering **Probability** (likelihood) and **Impact** (including ‘financial’ and ‘other impacts’) is used when assessing the level of risk. This analysis should be undertaken by managers and supervisors with **experience in the area in question**.

#### Probability

Very Low (1)	Low(2)	Medium (3)	High (4)	Very High (5)
Less than a 5% chance of circumstances arising OR Has happened rarely/never	5% to 20% chance of circumstances arising OR Only likely to happen once every 3 or more years	20% to 40% chance of circumstances arising OR Likely to happen in the next 2 to 3 years OR Risk seldom encountered	40% to 70% chance of circumstances arising OR Likely to happen at some point in the next 1 to 2 years OR Risk occasionally encountered	More than a 70% chance of circumstances arising OR Potential occurrence OR Risk frequently encountered

#### Financial and Other Impacts

Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
<1% of budget OR Up to £100,000 OR in terms of Investment Assets <1% change in asset values	1% - 5% of budget OR Up to £250,000 OR in terms of Investment Assets >1% but <2.5% change in asset values	6% - 10% of budget OR Up to £1m OR in terms of Investment Assets >2.5% but <5% change in asset values	11% - 20% of budget OR Up to £5m OR in terms of Investment Assets >5% but <10% change in asset values	>20% of budget OR Over £5m OR in terms of Investment Assets >10% change in asset values

Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Minimal or no effect on the achievement of Authority objectives AND/OR	Little effect on the achievement of Authority objectives AND/OR	Partial failure to achieve Authority objectives AND/OR	Significant impact on achieving Authority objectives AND/OR	Non-delivery of Authority objectives AND/OR
Minimal or no effect on the delivery of Service objectives	Little effect of the delivery of Service objectives	Partial failure to achieve Service objectives	Significant impact on achieving Services objectives	Non-delivery of Service objectives
Little disruption to the delivery of services	Some disruption to the delivery of services	Significant disruption to the delivery of services	Loss of critical services for more than 48 hours, but less than 7 days	Loss of critical services for over 7 days
Very confident the risk can be improved	Confident the risk can be improved	Moderately confident that the risk can be improved AND/OR	Little confidence the risk can be improved	Very little confidence that the risk can be improved AND/OR
AND/OR	AND/OR	Possible to achieve objective	AND/OR	Totally unachievable objective
Very achievable objective	Achievable objective	Able to influence	Unachievable objective	Very difficult to influence
Very easily influenced	Easily influenced	Somewhat tolerable	Difficult to influence	Out of tolerance-
Very tolerable/easy to accept	Tolerable	Threat of violence or serious injury	Out of tolerance but possible to accept	Fatality or multiple major injuries
Insignificant injury	Minor injury	AND/OR	Extensive multiple injuries	AND/OR
AND/OR	AND/OR	Some damage incurred to Authority assets	AND/OR	Total loss of Authority assets
Near miss, no damage incurred to Authority assets	Incident occurred, minor damage incurred to Authority assets	Moderate damage to the immediate or wider local environment	Significant damage incurred to Authority assets	Significant damage to immediate or wider environment
Insignificant environmental damage	Minor damage to the immediate local environment	Significant negative coverage in the local press or minimal negative coverage in regional press	Major damage to immediate or wider environment	Extensive negative coverage in national press and TV
Insignificant Reputational damage	Minimal damage to Reputation (minimal negative coverage in local press)	AND/OR	Significant negative coverage in regional press	AND/OR
AND/OR	AND/OR	Some internal negative coverage/some social media attention	AND/OR	Extensive internal coverage/extensive social media attention
No internal coverage/no social media attention	Minimal internal negative coverage/minimal social media attention		Significant internal coverage/significant social media attention	

A numeric value is applied to each of the selections for Probability and Impact, these are multiplied together to give the risk score reflected in the matrix below.

**Risk Matrix**

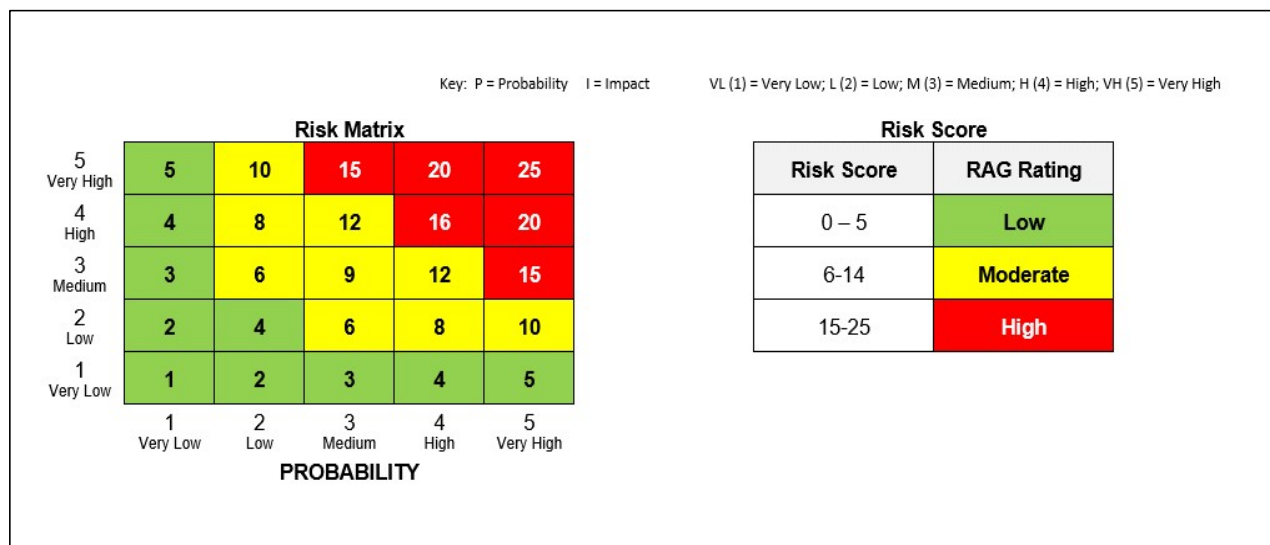
<b>IMPACT</b>	5 Very High	5	10	15	20	25
	4 High	4	8	12	16	20
	3 Medium	3	6	9	12	15
	2 Low	2	4	6	8	10
	1 Very Low	1	2	3	4	5
		1 Very Low	2 Low	3 Medium	4 High	5 Very High

**PROBABILITY**



## SOUTH YORKSHIRE PENSIONS AUTHORITY RISK REGISTER AS AT 26/08/2021

Key:



Risks currently under particular focus are:

Risk No	Risk Type	Risk Title	Current Score
03	Operational	Closure of Government Guaranteed Minimum Pension service and reconciliation exercise.	12
05	Operational	Disruption to services due to failure to complete the works required to Oakwell House on time and on budget	9
12	Investment and Funding	Failure to maintain the gains in funding levels achieved since the 2016 valuation, either as a result of falls in the market value of investments or an increase in the value of liabilities.	8
16*	Investment and Funding	Contribution rates for employers are unaffordable due to business interruption	8
G3*	Governance	Disruption and reduction in the effectiveness of the control environment	6

SOUTH YORKSHIRE PENSIONS AUTHORITY RISK REGISTER AS AT 26/08/2021


Risk No	Risk Type	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability & Impact	Target Score	Probability & Impact	Risk Mitigation Action	Owner	Risk Change at Review	Last Review Date
G1	Governance	Failure to ensure that the elected Members knowledge and understanding of pensions related activities is robust and meets the statutory requirements in terms of Section 248a of the Pensions Act 2004.	Leading to ..... Improper scrutiny and challenge by elected Members; Mistakes, errors and omissions and non-compliance with statutory requirements; Failure to ensure contributions are collected; Failure to ensure benefits are calculated properly; Failure to ensure surplus monies are properly and prudently invested; Reputational damage in terms of censure from regulators.	Clerk to the Authority	Induction training provided to new Members which comprises a three day external training course; Programme of internal seminars; Periodic awareness presentations delivered to Members; A self-assessment framework for Members and Chairs is in operation but needs refining – this should assist in identifying training requirements; Lead member for training identified; Working to the spirit of CIPFA Code of Practice (Code of Practice on Public Sector Pensions Finance, Knowledge and Skills, revised in 2013 Production of Annual Report which includes commentary on Members training activities; External training augmented by internal training.	9	I = M P = M	2	I = L P = VL	Review of Member self-assessments.  Addition of the Regulator’s on line toolkit as a mandatory training requirement.  Strengthen learning and development strategy  <i>Comment 25/08/21 There has been a significant change in the membership of the Authority following the elections meaning that the current level of knowledge and understanding is less than it was. Measures have been put in place to make additional learning and development resources but at this stage no change in the score could be justified.</i>	Clerk to the Authority  Clerk to the Authority  Clerk to the Authority/ Director		25/08/2021
G2	Governance	Failure to ensure that the Local Pension Board is effective in carrying out its role.	Leading to ..... Ineffective scrutiny of the way in which the Scheme Manager (the Authority) exercises its responsibilities Action by the Regulator.	Clerk to the Authority and Director	Induction training and commitment to an ongoing programme of learning and development for all members.  Introduction of an independent element to ensure that the Board is not “officer led”.  Stabilisation of Board membership.	6	I=M P=M	2	I=L P=VL	Additional learning development opportunities being provided.  Self-assessment exercise conducted highlighting areas for improvement  <i>Comment 25/08/21 - No change in the overall position since the last review. Changes to the Board's constitution will provide more stability to membership and the impact of this will be kept under review.</i>	Clerk to the Authority/ Director		25/08/2021
G3*	Governance	Disruption and reduction in the effectiveness of the control environment	Remote working makes operation of baseline control arrangements more difficult or impossible Covid 19 infections reduce the numbers of staff available so that current controls cannot be operated	Senior Management Team	Adaptation of previous control arrangements to a remote working scenario to ensure that controls continue to operate in the first instance. Electronic workflows that accommodate staff absence in dealing with sign offs Ensuring that more than one person is capable of performing any task within a control process Ongoing review of staff absences at regular SMT meetings allowing risks to be highlighted early	6	I=M P=L	6	I=L P=M	Gradual extension of the number of processes where electronic workflows are used. Identification of staff who could be trained to provide cover in areas where resilience is lower than others  <i>Comment 25/08/21 - The position has not changed, although work is continuing to implement the new financial systems which should provide further opportunities to both streamline and strengthen the control framework which could further reduce the score.</i>	Senior Management Team		25/08/2021


Risk No	Risk Type	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability & Impact	Target Score	Probability & Impact	Risk Mitigation Action	Owner	Risk Change at Review	Last Review Date
11	Investment and Funding	Failure to ensure that the Authority has appropriate access to its cash resources to meet its commitments to make payments. (Liquidity and credit risk.)	Leading to ..... Financial loss; Negative impact on overall financial viability of the Scheme; Inability to meet pensioner payroll costs and investment commitments. Reputational damage.	Director	The Fund has immediate access to its cash holdings with the majority of cash being deposited for no longer than a week. Levels of cash holding are monitored daily. Treasury activity reviewed weekly by management and twice yearly by elected members with an annual review of limits. Treasury Management Strategy sets limits for the duration and risk profile of deposits with financial institutions. Triennial actuarial review considers contribution rates and cash flow requirements. New software available from the Actuary to assist with cashflows and funding level.	3	I = M P = VL	4	I = L P = L	Introduction of quarterly reporting of treasury activity to elected members.  Consideration being given to splitting frictional cash (required for day to day purposes from cash awaiting investment).  <i>Comment 26/08/21 - No change from the previous assessment. Cash holdings remain below their peak level with a regular flow of income being captured to ensure the level of "float" remains stable.</i>	Director		26/08/2021
12	Investment and Funding	Failure to maintain the gains in funding levels achieved since the 2016 valuation, either as a result of falls in the market value of investments or an increase in the value of liabilities.	Leading to ..... The need to maintain high (and possibly unaffordable) levels of deficit contributions. The need to increase future service contribution rates which may create financial difficulties for employers given the economic environment in which they operate. Critical review by the Government Actuary as part of their s 13 Valuation.	Director/ Head of Investment Strategy	The Investment Strategy already looks to shift out of more volatile "growth" assets into less volatile income earning assets.	8	I = H P = L	4	I = H P = VL	First principles review of the Investment Strategy to be undertaken alongside the triennial valuation from April 2019 for implementation from April 2020. Options for containing or reducing liabilities (e.g. a trivial commutation review) will be examined following the actuarial valuation. However, in the meantime data cleansing activity will be focussed on areas that impact the value of liabilities.  <i>Comment 26/08/21 - No change from the previous assessment. The strong performance of equity investments has resulted in a regular process to rebalance away from equities in effect taking profit and investing it in other asset classes. However, the pace of build up of these other investments is generally less than the rate of growth in the equity portfolio thus the level of risk remains unchanged.</i>	Director/ Head of Investment Strategy		26/08/2021
13	Investment and Funding	Failure to implement effective arrangements for the oversight of investment management functions being undertaken by Border to Coast Pensions Partnership.	Leading to ..... Inability to adhere to Authority policies and potentially not be able to fulfil the Investment Strategy.	Head of Investment Strategy	Border to Coast is an FCA regulated body and as such is expected to adhere to the Stewardship Code and work within stipulated guidelines as set out in prospectus. These guidelines were set with discussion with underlying funds. Alignment of policies with underlying fund policies Ensured that Border to Coast have sub funds to allow SYPA to fulfil its strategy. Ongoing collaboration about policy. Ongoing collaboration regarding potential changes to Authority strategy. Analysis of investment performance on a monthly/quarterly basis with detailed analysis on an annual basis.	6	I = M P = L	6	I = M P = L	Border to Coast have agreed a process for the provision of controls assurance with all the audit firms involved in the LGPS.  <i>Comment 26/08/21 - This risk remains in line with the target. The Annual Review of the Partnership identifies opportunities to improve oversight in some areas, but none of these point to any fundamental change in the profile of the risk.</i>	Head of Investment Strategy		26/08/2021

Risk No	Risk Type	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability & Impact	Target Score	Probability & Impact	Risk Mitigation Action	Owner	Risk Change at Review	Last Review Date
14	Investment and Funding	Failure to secure products through Border to Coast which address the requirements of the Fund's investment strategy.	Leading to ..... Failure to achieve required investment return. Erosion of the overall value of the Fund. Negative impact on contribution rates at valuation points.	Head of Investment Strategy	Ongoing dialogue with both Border to Coast and partner funds in order to influence product development. Monitoring of developments in the market place and where appropriate championing these within discussions with Border to Coast and partner funds.	4	I = H P = VL	3	I = M P = VL	Engagement with Border to Coast as an "implementation partner" in the development of the investment strategy.  <i>Comment 26/08/21 - No change from the previous assessment. Any change will depend on the finalisation of the property proposition.</i>	Head of Investment Strategy		26/08/2021
15	Investment and Funding	Impact of Climate Change on the value of the Fund's investment assets and its liabilities. Changes in the liability profile of the Fund.	Leading to ..... An increased gap between the value of assets and liabilities. Reduction in the level of investment income as companies failing to adapt to a low carbon economy become less able to pay dividends. Changes in the liability profile of the Fund.	Director and Head of Investment Strategy	Climate Change Policy in place in addition to the Responsible Investment Policy, supported by engagement activity with investee companies to encourage a planned and more rapid transition to a low carbon economy. Ongoing monitoring of the carbon intensity of equity portfolios every other year in place Lower carbon tilt adopted within the equity portfolios and continued by Border to Coast. Investment in the extended opportunity set provided by the move to a low carbon economy targeted within the Alternatives portfolio, particularly infrastructure. Ongoing monitoring of demographic data by the actuary in place..	15	I = VH P = M	9	I = M P = M	Product from the Border to Coast Climate working party including providing more regular measurement of the carbon intensity of portfolios.  Consideration of alternative investment approached as part of the Investment Strategy Review.  Scenario planning within the context of the ongoing development and review of investment strategies.  Adoption of a "net zero by 2030" goal together with improvements in impact reporting to fully understand the scale of emissions.  <i>Comment - 26/08/21 - No change in assessment. Updated data for the equity funds indicates significant reductions in emissions. However these do not put the fund overall on a trajectory to meet the Net Zero Goal and consideration will need to be given to the additional levers available beyond the work on the investment process for the equity funds already in hand.</i>	Head of Investment Strategy  Head of Investment Strategy  Director  Director		26/08/2021
16*	Investment and Funding	Contribution rates for employers are unaffordable due to business interruption	Employers (particularly TAB's and CAB's) unable to meet their liabilities due to not receiving income as a result of the interruption of their business due, for example, to school closures.	Head of Pension Administration	Existing assessment of employer risk and covenant identifying higher risk employers Ongoing communication and dialogue with employers and the Fund Actuary to identify possible options.	8	I = L P = H	8	I = L P = H	Identification of the applicability of the policy responses for private sector DB schemes to LGPS and engagement with the Scheme Advisory Board Implementation of new regulations allowing interim valuations and increased flexibility around exits  <i>Comment 26/08/21 - No change from previous assessment. Consultation on employer flexibilities has been delayed due to other priorities. No further requests for assistance in terms of ongoing contributions have been received from employers.</i>	Head of Pension Administration		26/08/2021



Risk No	Risk Type	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability & Impact	Target Score	Probability & Impact	Risk Mitigation Action	Owner	Risk Change at Review	Last Review Date
17*	Investment and Funding	Business continuity failures mean employers are unable to meet contribution payment deadlines.	Employers unable to submit monthly data returns on time which from April 2020 will generate the input for direct debit payments. Disruption to Fund cash flow	Head of Pension Administration and Head of Finance and Corporate Services	Ongoing dialogue with employers to identify problems early. Maintenance of significant available cash balances through the Treasury Management portfolio	3	I = VL P = M	4	I = L P = L	Enhanced monitoring of contribution receipt and cash flow  Redirection of Engagement Officer resource to maintain contact with employers to provide early warning of issues Focussed support to employers with the greatest difficulties, for example support with data submissions  <i>Comment 26/08/21 - Employer compliance continues to be very high. However, the impact of changes to processes to speed up the back end processing of submitted data by providing more up front validation needs to be assessed before removal of this risk.</i>	Head of Finance and Corporate Services Head of Pension Administration Head of Pensions Administration		26/08/2021
01a	Operational	Failure to ensure the Authority protects the data it owns and the data it handles against inadvertent release	Leading to ..... Loss of personal information resulting in reputational damage and censure by Information Commissioner; Loss of trust from partner organisations; Successful attacks by hackers or third parties; Disruption and delays.	Director	Data backup undertaken daily and backed up information removed from site; Disaster Recovery Procedures and Business Continuity Plan in place; External audit by third party organisations the Authority works with; Reporting of Incidents to Information Commissioner; Information Governance training included in the training programme; Independent Data Protection Officer established ; Contract management arrangements regarding the software provided by SY Pensions to third parties includes performance management consideration; Physical security of offices improved following relocation to Gateway Plaza	8	I = H P = L	6	I = M P = L	Bi Annual review of Business Continuity Plan.  Data breaches reported to Local Pension Board quarterly for scrutiny.  Data Protection Officer Assurance programme introduced.  Reduction of in-house 'manual' mailing of personal data. Move to secure online communications with members where possible (e.g. Annual Benefit Statements).	IT Manager  Head of Pensions Administration Head of Pensions Administration Head of Pensions Administration		26/08/2021
01b	Operational	Failure to ensure the Authority protects the data it owns and the data it handles against cyber-security threats.	Cyber risk – the risk of loss, disruption or damage to the Authority or its staff/members due to its information technology systems and processes failing. Including risks to information, data security, as well as assets and both internal risks from staff and external risks from hacking and computer misuse.	Director	Cloud based email management platform including targeted threat protection against email borne threats such as malicious URL's, malware, impersonation attacks and internally generated threats; ICT Security Policy and an effective system of governance in place; Mandatory GDPR/data protection and cyber security training for all staff; Comprehensive Patch Management Policy covering all desktop and server hardware/software; Annual ICT health checks and penetration testing via a CREST certification body; Cyber Essentials Plus Accreditation; Police vetting clearance for ICT staff; The principle of least privilege applied to all user accounts.	8	I = H P = L	6	I = M P = L	Cyber Security training identified for all staff; Develop an incident response plan to deal with incidents and enable the Authority to swiftly and safely resume operations; Establish an Incident Response Retainer; Migration to advanced cloud based Anti-Virus/End Point Protection solution; Database encryption of sensitive data. Penetration testing using mock "spearfishing" attacks being undertaken SMT approved additional training and implementation of new password policies  <i>Comment 26/08/21 - All evidence points to an increasing number of potential attacks on the network, although evidence is also that staff awareness is high and resulting in potential attacks being identified and addressed. Ongoing training and awareness raising activities are continuing. At this stage no reduction on the score in either of these two risks can be justified.</i>	IT Manager		26/08/2021

Risk No	Risk Type	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability & Impact	Target Score	Probability & Impact	Risk Mitigation Action	Owner	Risk Change at Review	Last Review Date
02	Operational	Failure to meet statutory requirements for disclosure of information to scheme members.	Leading to ..... Poor customer service and reputational damage. Censure and potential fines from the Pensions Regulator and other statutory bodies; Potential for inaccurate data to flow into the 2019 actuarial valuation process and to impact the correct calculation of member benefits.	Head of Pensions Admin	Production of the ABS is dependent on receipt of timely returns from employers. The updated Administration Strategy from March 2018 incorporates SLA's and improves upon them in terms of fines being levied for employers who are non-compliant; Production process for 2018 was brought forward to ensure sufficient contingency time; Joiner/leaver processes configured to meet statutory disclosure requirements.	6	I = M P = L	2	I = L P = VL	Introduction of monthly data collection from April 2018 removes reliance on year-end returns so production process will begin in June rather than July from 2019; ABS's to be issued online from 2019 which further reduces the production schedule and process can be managed fully in house; Administration performance reporting to Authority to focus on statutory compliance. Data Quality Improvement Plan to be implemented. Review of ABS process in light of 2020 issues including the quality (as opposed to timeliness) of monthly data submissions.  <i>Comment 26/08/21 - At the time of writing, the 2021 ABS exercise is not yet complete (although close to 99% of statements have been issued) with data issues being worked through on the remaining statements. Further activity to address long standing data issues is now planned for the coming year, together with changes to project and programme management arrangements within Pension Administration. Given the progress this year a reduction in the probability of issues to Low, and therefore in the score from 9 to 6, is justified.</i>	Head of Pensions Administration		26/08/2021
03	Operational	Closure of Government Guaranteed Minimum Pension service and reconciliation exercise.	Leading to ..... Significant under/overpayments of existing pensions in payment causing member hardship and reputational damage; Workload pressures of adjustment to excess volumes of member records. Failure to maintain adequate records going forward.	Head of Pensions Admin	Reputable external provider appointed to meet initial HMRC deadline of 31 October 2018; External provider currently handling responses finally received from HMRC to all mismatch queries raised. The final report from HMRC will allow the external provider to carry out a full final reconciliation across the database before we move to rectification. The final reconciliation is expected to be a two month project.	12	I = H P = M	6	I = M P = L	Liaison with LGPS funds to aim to ensure consistent approach to rectification once reconciliation finalised.  Assurance work to be commissioned once HMRC issue final liability report  <i>Comment 31/08/21 - The final liability comparison report has been received from the external provider but a number of data sets require further individual investigation before the final "closing" position can be established. It is anticipated that a programme of work to correct relevant records will be completed by 31 March 2022 to feed into the 2022 valuation for funding purposes, though rectification for existing pensions in payment may take longer.</i>	Head of Pensions Administration		31/08/2021

Risk No	Risk Type	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability & Impact	Target Score	Probability & Impact	Risk Mitigation Action	Owner	Risk Change at Review	Last Review Date
04*	Operational	Significant reduction in productive capacity due to impact of the virus on sickness levels	Creation of backlogs of work and potential for missing key deadlines. Potential for backlogs of retirements to result in financial hardship and large arrears payments. Potential for backlogs of death cases to result in the need to recover large overpayments Failure to meet statutory deadlines for case processing and for issue of Annual Benefit Statements.	Senior Management Team	Monitoring of sickness levels and productivity through regular SMT Business Continuity calls. Clear criteria within which casework is prioritised. Risk of compliance failures raised with TPR at national level with request to consider flexibility if required. Annual Benefit Statement exercise to start in May rather than July to balance workloads.	6	I=M P=L	12	I=M P=H	Reassessment of priority activities to concentrate on those activities that directly impact: -The retirement process -Pensioner deaths and deaths in service -Payment of staff and supplier -Collection of all forms of income Redeployment of resources from support areas (Engagement, Technical UPM Team) to casework and from other corporate areas to financial processing.  <i>Comment 26/08/21 - While there has been some increase in sickness levels this year these are not at an abnormal level. Should there not be any spike in sickness to an abnormal level following the process of returning staff to the office then it would be the intention to remove this risk from the register before the end of the year.</i>	Senior Management Team		26/08/2021
05	Operational	Disruption to services due to failure to complete the works required to Oakwell House on time and on budget	This would require all staff to work at home for an additional period and there could be disruption and additional cost if the server infrastructure cannot be relocated before the end of the current lease.	Director	Key contract deliverable for the main contractor is aimed to facilitate relocation of the data centre prior to the end of the current lease even if the building works are not completed. Contract documents will be issued with as detailed a price as possible which should have the effect of mitigating the cost risk.	9	I=M P=M	6	I=M P=L	Further mitigations will become available when the contract for the main contractor has been agreed at which point the budgetary issues will become clear  <i>Comment 26/08/21 - Main building contract has now been let and procurement is in hand for ancillary services such as the installation of AV faculties which will provide a final price for the necessary works. The main building contract is working to a timeline which meets the Authority's requirements for the vacation of Gateway Plaza and also prioritises the transfer of the data centre. While some risk remains around the budget the greater certainty over the timescale will allow a reduction in the impact score to Medium and thus reduce the score from 12 to 9.</i>	Director		26/08/2021

Risk No	Risk Type	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability & Impact	Target Score	Probability & Impact	Risk Mitigation Action	Owner	Risk Change at Review	Last Review Date
P1	People	Failure to maintain a suitably qualified and experienced workforce which reflects the community which the Authority serves.	Leading to ..... Continuing imbalances in the Authority's workforce which create the potential for a sudden loss of a significant amount of experience. Skills gaps through a lack of succession planning. Reputational damage through criticism of the lack of diversity in the workforce. Impact on productivity and organisational resilience.	Director	A structured career grade scheme supported by highly structured and exam based training is in place for a key group within the pension administration workforce. Procedures within pension administration are well documented. Identification of potential single points of failure and production of plans to eliminate them. Production of an HR and Organisational Development Strategy targeting these issues.	9	I = M P = M	6	I = L P = M	Full implementation of the HR and Organisational Development Strategy. Formalise workforce and succession planning arrangements Implement Management. Development Programme covering all staff with supervisory and wider management responsibilities. Identification of potential single points of failure and production of plans to eliminate them.  <i>Comment 26/08/21 - Work in relation to learning and development and preparations to work towards Investors in People have begun although it is too early at this stage to reduce the score for this risk.</i>	Director		26/08/2021

## Agenda Item

<b>Subject</b>	<b>Annual Review of the Governance Compliance Statement</b>	<b>Status</b>	For Publication
<b>Report to</b>	Audit Committee	<b>Date</b>	21 <sup>st</sup> October 2021
<b>Report of</b>	Director		
<b>Equality Impact Assessment</b>	Not Required	Attached	No
<b>Contact Officer</b>	George Graham Director	<b>Phone</b>	01226 772887
<b>E Mail</b>	<a href="mailto:ggraham@sypa.org.uk">ggraham@sypa.org.uk</a>		

## **1 Purpose of the Report**

- 1.1 To review the Governance Compliance Statement and recommend its adoption to the Authority

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## **2 Recommendations**

- 2.1 Members are recommended to:
- a. Review and comment upon the Governance Compliance Statement at Appendix A.
  - b. Recommend the adoption of the Governance Compliance Statement to the Authority

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## **3 Link to Corporate Objectives**

- 3.1 This report links to the delivery of the following corporate objectives:  
**Effective and Transparent Governance**

To uphold effective governance showing prudence and propriety at all times.

## **4 Implications for the Corporate Risk Register**

- 4.1 The actions outlined in this report address the identified corporate risks around regulatory compliance.

## **5 Background and Options**

5.1 s 55(1) of the Local Government Pension Scheme Regulations 2013, requires that:

An administering authority must prepare a written statement setting out—

- a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;
- b) if the authority does so—
  - i. the terms, structure and operational procedures of the delegation,
  - ii. the frequency of any committee or sub-committee meetings,
  - iii. whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;
- c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
- d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).

5.2 An administering authority must keep a statement prepared under paragraph (1) under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned in that paragraph.

5.3 The Statement produced under s 55(1) is known as the Governance Compliance Statement, and an updated version of the SYPA statement following its annual review is at Appendix A. There have been no fundamental changes in the Statement, but additional text has been added to reflect the changes agreed in the Members' Learning and Development Strategy and to better integrate the role of the Local Pension Board within the Statement.

5.4 As part of the overall assurance gathering process associated with the Annual Governance Statement it is appropriate that the Audit Committee consider the Statement and, if content, recommend its approval to the Authority at its next meeting.

5.5 Fundamental changes to the Governance Compliance Statement will be required when the regulatory changes arising from the Good Governance Review are approved and officers have undertaken a review of the sample statement provided by the Scheme Advisory Board. This exercise has identified the following gaps which will be addressed in the coming months. In addition some changes have been made to the way information is presented in the Annual Report to conform to the expectations set out in the sample statement.

- An annual review of compliance with the Regulator’s Code of Practice – This has been undertaken this year, but the process needs to become embedded and achieve more depth. This is an action associated with the appointment to the new Governance Manager role approved by the Authority.
- The need to produce a policy statement on the representation of different groups within the Authority’s governance structure, which will be completed during this financial year.
- Improvements to the quality of training records (for both members and staff) and the development of a more explicit annual training plan for staff.

5.6 Work on these areas will be factored into plans for the coming year.

5.7 Members are invited to consider the Annual Governance Statement and determine whether they wish to recommend its approval to the Authority.

## **6 Implications**

6.1 The proposals outlined in this report have the following implications:

Financial	None
Human Resources	None
ICT	None
Legal	None
Procurement	None

**George Graham**

**Director**

<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>

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# Governance Compliance Statement October 2021

## 1. Introduction

1.1 As a statutory public service scheme the Local Government Pension Scheme (LGPS) has a different legal status compared to trust-based schemes and therefore, the governance arrangements are different as well. This is especially true given the interface with local democratic practice since it is elected councillors who ultimately bear responsibility for the stewardship and management of local authority pension funds. Publication of this Statement is a statutory requirement under s 55(1) of the Local Government Pension Scheme Regulations 2013, which requires:

An administering authority must prepare a written statement setting out—

(a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee, or an officer of the authority;

(b) if the authority does so—

- (i) the terms, structure, and operational procedures of the delegation,
- (ii) the frequency of any committee or sub-committee meetings,
- (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;

(c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and

(d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).

An administering authority must keep a statement prepared under paragraph (1) under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned in that paragraph.

Before preparing or revising a statement under this regulation, an administering authority must consult such persons as it considers appropriate.

An administering authority must publish its statement under this regulation, and any revised statement.

1.2 This statement has been revised following an annual review undertaken in preparing the Authority's report and accounts for 2020/21.

## 2. Governance of the South Yorkshire Pension Fund

- 2.1 The Authority was created by the Local Government Reorganisation (Pensions etc.)(South Yorkshire) Order 1987 made under the Local Government Act 1985, and is a Joint Authority created under that act. As such it is a local authority in its own right, albeit with a prescribed set of functions, limited to fulfilling the role of LGPS administering authority and meeting the unfunded pension liabilities of the former South Yorkshire County Council for which it is able to make a levy on the District Councils.
- 2.2 The Authority does not operate under a cabinet structure. The Chair and Vice-Chair are nominated from and elected by its own membership but the Authority as a whole carries the strategic responsibilities of an administering authority.
- 2.3 Under Section 41 of the Local Government Act 1985 arrangements are made enabling the members of the district councils to raise questions at council meetings. The Authority is required to nominate a member or members to answer questions on the discharge of the Authority's functions in meetings of each of the constituent councils. One member from each district has been nominated as the Section 41 spokesperson.
- 2.4 The Authority has created two committees to support it in its work:
- 2.5 The **Audit Committee** which is responsible for fulfilling 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 Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
  - d) Approve (but not direct) internal audit's Charter and annual plan.
  - e) Monitor performance against internal audit's Charter and annual plan.
  - f) Review summary internal audit reports and the main issues arising, and seek assurance that action had been taken where necessary.
  - g) Receive the annual report of the Head of Internal Audit.
  - h) Consider the annual 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 the production of and approve the Authority's Annual Governance Statement.

- l) To review and approve the annual Statement of Accounts and the Authority's Annual Report, focusing on:
  - the suitability of, and any changes in accounting policies;
  - 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, focusing on significant adjustments and material weaknesses in internal control reported by the external auditor.
- n) Monitor the Authority's risk register and annual governance action plan, reporting issues of concern to the full Authority.

2.6 The **Staffing Appointments and Appeals Committee** which is responsible for the following functions.

- (1) To exercise all the Authority's functions in respect of:
  - a) Appeals by staff (where a right of appeal exists).
  - b) Complaints against senior officers.
- (2) To exercise the Authority's functions in relation to the appointment of Statutory Officers and Chief Officers, subject to legislative requirements regarding the approval of statutory officer appointments by the Authority.
- (3) To approve proposals for changes to the organisation of the Authority's staffing where more than 5 posts are affected.
- (4) Determining appeals and requests under the Local Government Pension Scheme Regulations not otherwise delegated to officers.
- (5) To make appointments of Independent Investment Adviser (s) on behalf of the Authority.
- (6) To approve arrangements for the procurement of external fund managers, the Fund Actuary and Custodian
- (7) To deal with all matters concerning complaints concerning member conduct under the Standards regime.

### 3. Representation

3.1 Unlike other Administering Authorities within the Local Government Pension Scheme the Authority’s membership is laid down in the Local Government Reorganisation (Pensions etc.) (South Yorkshire) Order 1987 made under the Local Government Act 1985. The four district councils in South Yorkshire nominate members to the Authority, from their own elected members, in the specified proportion –

Constituent Council	Number of Members
Barnsley	2
Doncaster	3
Rotherham	2
Sheffield	5

3.2 In addition the Authority has co-opted 3 non-voting members nominated by the Regional Secretaries of the three largest trade unions recognised by the National Joint Council for Local Government Services. These individuals are provided with the facility to attend and participate in meetings of the Authority and its committees, other than in matters concerned with staffing and labour relations.

3.3 The Audit Committee is chaired by the Authority’s Vice-Chair and contains 5 other Authority Members (including the Chair). Representatives from the trade unions attend as non-voting co-optees.

3.4 The Staffing Appointments and Appeals Committee is chaired by the Authority’s Chair and contains 5 other Authority members. Given that the major business of this Committee is concerned with staffing and labour relations the non-voting co-opted members nominated by the Trades Unions do not routinely attend meetings of this committee.

3.5 Both Committees have full delegated powers but only the Elected Members have voting rights.

### 4. Reasons for Current Representation

4.1 Myners’ first Principle states that decisions should only be taken by persons or organisations with the skills, information, and resources necessary to take them effectively. Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take. All members of the Authority are required to complete an on-line Learning Academy and the Pensions Regulator’s Public Sector Toolkit and are supported to undertake LGA’ fundamentals training where they are able to do so as well as being exposed, on the occasions that they review investment performance and strategy, to presentations on topical issues, and differing types of investment. In addition, a Learning and Development Strategy is in place which identifies individual learning needs and aims to address through both internal and external means.

4.2 Formal statutory responsibility for the LGPS and fund investment remains with the administering authority that is answerable for the effective and prudent management of the scheme. Current representation on the Authority provides the appropriate balance between accountability and

inclusion as required by best practice with councillors serving on the Authority having full voting rights as a matter of course.

## 5. Arrangements Outside of Formal Governance

- 5.1 The Authority is committed to inclusion of all stakeholders in consultation and communication outside of the formal governance arrangements. A separate Communications Policy Statement can be viewed on our website and is included with the Annual Report as required by the relevant regulations.
- 5.2 Meetings of the Authority are webcast to provide scheme members and other stakeholders with the opportunity to see the decisions that are being made on their behalf.
- 5.3 The Authority holds an annual meeting, in October or November, to which scheme members and employers are invited. Scheme members attending receive presentations on the financial position of the Fund, a review of investment and administration performance together with news of topical issues. Attendees are encouraged to raise questions. A video of this meeting is made available on the internet.
- 5.4 The Authority has in line with the requirements of the Public Sector Pensions Act 2013 established a Local Pension Board comprising equal numbers of employer and scheme member representatives.
- 5.5 The Authority provides each participating organisation with an employer's guide to the Scheme. In addition, regular newsletters are produced to keep employers up to date with scheme developments and administration issues. These are provided via our dedicated employers' website and can also be made available in hard copy. Employers' attention is drawn to LGPC Circulars whenever these are published so that they can view the national perspective as well as the local view.
- 5.6 A variety of meetings are used to communicate with employers. In addition to the Annual Fund Meeting described earlier, the Authority normally holds an annual employers' forum. This is primarily aimed at topical and administrative issues but is also valuable in providing an opportunity for employer representatives to raise questions and discussion points. Further to these, ad-hoc meetings are called to consider specific issues as and when appropriate. Every employer is offered at least one annual meeting with the Authority's officers on a one-to-one basis to discuss any topic either side wishes to raise, although experience shows that very few take advantage of this facility.
- 5.7 Officers attend the quarterly meeting of finance department representatives from the four district councils and the other South Yorkshire joint authorities as and when required.

## 6. Comparison with "Best Practice" Principles

- 6.1 The Authority is required to make a statement as to the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.
- 6.2 The appendix to this document provides that statement, setting out against each of the principles the extent of compliance supported by further explanation or comments where further action is to be considered.

## Principle A – Structure

		Compliant*
a)	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	<b>Yes</b>
b)	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	<b>Mainly</b>
c)	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	<b>Yes</b>
d)	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	<b>Yes</b>

\* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Authority's separate legal status ensures that a), c) and d) are complied with and ensure representation (proportionate to size) of the major local authority employers. It is not practical for the many (over 500) non-local authority employers, whose activities are extremely diverse, to be separately represented. Trades unions representatives attend meetings of the Authority and Audit committee as non-voting co-opted members representing the interests of scheme members. The Local Pension Board as required by regulations operates alongside the formal Authority structure but is intrinsically linked with it and includes representation from other employer and scheme member groups.

## Principle B – Representation

		Compliant*
a)	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :-  i) employing authorities (including non-scheme employers, e.g., admitted bodies);  ii) scheme members (including deferred and pensioner scheme members),  iii) independent professional observers, and  iv) expert advisors (on an ad-hoc basis).	Mainly
b)	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Yes

\* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please see the answer to A(b) above.

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Authority appoints 2 independent investment advisers who attend meetings of the Authority and give advice to members during discussion of investment related matters.

The work of the Local Pension Board is also supported by an Independent Adviser who ensures that the Board, which acts in a form of scrutiny role, is not inadvertently led by those it is scrutinising.



## Principle C- Selection and role of lay members

		Compliant*
a)	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Yes

\* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Induction courses are held for all new members who are also required to attend initial basic training via an online Learning Academy and the Pensions Regulator’s Public Sector Toolkit. New members who are able to attend are also automatically supported to attend the LGA’s 3-day fundamentals course. Members are also provided with an annually updated handbook which clearly sets out their responsibilities as “quasi-trustees”.

A series of member seminars to address new topics or cyclical issues such as the actuarial valuation are included in the programme of meetings and members (whether elected or co-optees or members of the Local Pension Board) are able to attend approved conferences and external seminars details of which are circulated to all members at the beginning of the year and throughout the year as they become available.

## Principle D – Voting

		Compliant*
a)	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Yes

\* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Order creating the Authority and its constitution provides full voting rights to all elected Members. Co-optees do not have voting rights.

## Principle E – Training/Facility time/Expenses

		<b>Compliant*</b>
a)	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	<b>Yes</b>
b)	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	<b>Yes</b>
c)	That the administering authority considers the adoption of training plans for committee members and maintains a log of all such training undertaken.	<b>Mainly</b>

\* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Induction and in-house training events are made available to all members of the Authority, its Boards and Committees, including Trade Union Observers. In addition, all Authority members are required to undertake an on line Learning Academy and the Pensions Regulators Public Service Toolkit, and where they are able to attend supported to undertake the Fundamentals course provided by the LGA within the first year of their appointment.

Members are offered individual training plans. Records of training received are logged and published as part of the Annual Report.

All members (whether councillors, co-optees or members of the Local Pension Board) are eligible for the reimbursement of legitimate expenses incurred in undertaking learning and development activity. Councillors receive allowances paid by the Authority in respect of their membership of the Authority. Co-opted members and members of the Local Pension Board are not eligible for such allowances.

## Principle F – Meetings (frequency/quorum)

		<b>Compliant*</b>
a)	That an administering authority’s main committee or committees meet at least quarterly.	<b>Yes</b>
b)	That an administering authority’s secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	<b>Yes</b>
c)	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	<b>Yes</b>
* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)		

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Authority meets at least quarterly, and the Audit Committee meets three times per year. The Staffing Appointments and Appeals Committee, given the nature of its business meets as required. In addition annual forums are held for both fund employers and Scheme members. The Local Pension Board meets 4 times per year which is in excess of the minimum set out in regulations.

## Principle G – Access

		<b>Compliant*</b>
a)	That subject to any rules in the council’s constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	<b>Yes</b>

\* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

The only exception to this general principle is that non-voting co-optees are not permitted access to papers concerned with individual staffing matters.

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

## Principle H Scope

		<b>Compliant*</b>
a)	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	<b>Yes</b>

\* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

## Principle I – Publicity

		Compliant*
a)	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Yes

\* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Details of the Authority’s governance arrangements are published both on its website and in its annual report. The details of the Authority’s meetings are publicised both on the website and social media and the public parts of meetings of the full Authority are webcast.

The Authority maintains a specific policy that the number of items to be considered in private is minimised thus opening up the maximum amount of its business to scrutiny by scheme members and the wider public.

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