

## **NOTICE OF AUTHORITY MEETING**

**You are hereby summoned to a meeting of the South Yorkshire Pensions Authority Audit Committee to be held at Oakwell House, 2 Beevor Court, Pontefract Road, Barnsley on Thursday, 3 March 2022 at 10.00 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)

### **WEBCASTING NOTICE**

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## **Distribution**

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

## **Contact Details**

For further information please contact:

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## **SOUTH YORKSHIRE PENSIONS AUTHORITY AUDIT COMMITTEE**

**THURSDAY, 3 MARCH 2022 AT 10.00 AM - OAKWELL HOUSE, 2 BEEVOR COURT,  
PONTEFRACT ROAD, BARNSELY**

### **Agenda: Reports attached unless stated otherwise**

	<b>Item</b>	<b>Pages</b>
	<b><u>Committee Administration</u></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 21 October 2021	5 - 10
	<b><u>Internal Audit</u></b>	
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8.	Internal Audit Plan 2022/23	21 - 28
	<b><u>External Audit</u></b>	
9.	External Audit Plan 2021-22	29 - 64
	<b><u>Audit Committee Operational Items</u></b>	
10.	Audit Committee Annual Report	65 - 74
11.	Progress on the Annual Governance Statement Action Plan	75 - 78
12.	Progress Update on Actions Arising from Audit Reviews	79 - 86
	<b><u>Exclusion of the Public and Press</u></b>	
13.	Annual Procurement Report ( <b>Exemption Paragraph 3</b> )	87 - 90

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## SOUTH YORKSHIRE PENSIONS AUTHORITY AUDIT COMMITTEE

21 OCTOBER 2021

PRESENT: Councillor G Weatherall (Chair)

Councillors: S Clement-Jones, D Fisher, D Nevett, C Rosling-Josephs and N Wright

Trade Unions: N Doolan-Hamer (Unison) and G Warwick (GMB)

Officers: W Goddard, G Graham (Director), Richards, G Taberner (Head of Finance and Corporate Services), S Bradley (Audit Manager) and G Kirk

Apologies for absence were received from M McCarthy

1 APOLOGIES

The Chair welcomed everyone to the meeting.

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

Cllr G Weatherall commented that he was in receipt of a LGPS pension.

6 MINUTES OF THE MEETING HELD ON 29 JULY 2021

RESOLVED – That the minutes of the meeting held on 29th July 2021 be agreed as a true record.

7 INTERNAL AUDIT PROGRESS REPORT 2021/21

S Bradley presented the Internal Audit Progress report which covered the period 12th July 2021 to 26th September 2021.

Members noted that to date 14.3% days of the Plan had been delivered. As in previous years the 2021/22 Plan was profiled more heavily towards the end of the year.

There had been several changes to the Plan during the period which had been agreed during the consultation with regards to coverage of DPO assurance areas and financial systems.

There had also been two deferrals agreed with management which were Procurement Compliance and Staff Payroll and HR System.

One report had been issued during the period which was in relation to DPO – Customer Contact Centre. A substantial assurance opinion had been given and there was no cause for concern.

The report also contained details of other audit work undertaken during the period and the work in progress.

RESOLVED – That the report be noted.

8 FINAL EXTERNAL QUALITY ASSESSMENT (EQA) REPORT JULY 2021

A report was considered which presented the final report following the independent assessment of the Internal Audit function against the Public Sector Internal Audit Standards (PSIAS).

The Committee was reminded that the PSIAS determine that an independent External Quality Assessment (EQA) was undertaken at least once every 5 years.

CIPFA had been commissioned to undertake the EQA which was a full review looking at the self-assessment, Quality Assurance Improvement Programme, IA Charter and an in-depth review of pieces of work. Interviews had been held with key officers and various Audit Committee chairs across the client base.

The report found that Barnsley MBC Internal Audit Service conformed to all 14 of the individual standards assessed during the EQA.

Two recommendations were made alongside four advisory points, these were shown in the Action Plan contained within the EQA Final Report.

RESOLVED – That members note the EQA report and are therefore assured of Internal Audit's compliance with professional standards and would receive an update from the Head of Internal Audit, Anti-Fraud and Assurance on the implementation of the actions arising.

9 EXTERNAL AUDITOR'S ANNUAL REPORT

A report was submitted to allow members of the Audit Committee to consider the External Auditor's Annual report before it was submitted to the Authority.

It was noted that the External Auditor's report was very similar to the one submitted at the last meeting but that the audit was now closed. It was further noted that only 9% of organisations had completed on time.

Members noted the key messages for the Committee, which were included in the report and which indicated that the various aspects of the audit, including the financial statements had received a “clean” report and the auditor had not made any use of their statutory powers. The report also included 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 made no specific recommendations and generally identified that the Authority had the expected arrangements in place.

RESOVLED – That members:

- i) Note the External Auditor’s Annual Report at Appendix A.
- ii) Refer the report to the Authority.

## 10 PROCESS FOR FUTURE EXTERNAL AUDIT APPOINTMENTS

The Committee considered a report which sought 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.

Members were reminded that 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.

PSAA’s current contracts would come to an end following the completion of the 2022/23 accounts audit and the Authority was being asked to consider whether it wished to sign up for the next PSAA procurement. The alternative was to make a separate appointment either for the Authority alone or in collaboration with other local authorities in South Yorkshire.

Members were informed that an appointment process for the Authority alone would be time consuming and costly as additional external support would be required in the evaluation.

The option of working with other local authorities in South Yorkshire was attractive, however, given the other pressures facing organisations it was not felt that it would be sensible to devote what would be no inconsiderable and senior resources to such a process at this time.

Consequently it was felt that the option of using PSAA arrangements was one that was most convenient and most deliverable.

RESOLVED – That members recommend to the Authority that future external audit services be procured through the Public Sector Audit Appointment arrangements.

## 11 PROGRESS UPDATE ON AUDIT RECOMMENDATIONS

The Committee considered a report which provided an update 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 noted the tables in the appendix which showed the actions that had been fully completed since the last report as well as the status and progress being made on the remaining outstanding action plans; this would continue to be actively monitored.

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

12 ANNUAL REVIEW OF THE RISK MANAGEMENT FRAMEWORK

A report was submitted which allowed the Committee to consider the annual review of the Risk Management Framework.

G Graham reminded members that the Committee's Terms of Reference required that it review the Risk Management Framework on an annual basis.

It was noted that the last 12 months had continued to test the Authority as never before and this had included testing the effectiveness of the Authority's risk management arrangements. In general terms it was thought that these had worked well and the risks faced by the Authority had been effectively mitigated.

The Senior Management Team had continued to review the Risk Register on a monthly basis and update scores and mitigations where necessary. Specific Risk Registers had been created for major projects such as the move to Oakwell House.

The Committee discussed risks around inflation, energy costs and potential staff shortages which all could increase when the Risk Register was next reviewed.

It was noted that the Staffing, Appointments and Appeals Committee would be having discussions around staffing challenges in the near future.

G Graham informed members that given that the Risk Management Framework continued to operate effectively, it was not proposed to make any substantive changes to it this year, although some presentational changes and tidying up of the text had been made.

RESOLVED – That members note the content of the report and agree that no substantive changes to the Risk Management Framework (attached at Appendix A) should be made at this time

13 ANNUAL REVIEW OF THE GOVERNANCE COMPLIANCE STATEMENT

A report was submitted which requested that the Committee review the Governance Compliance Statement and recommend its adoption to the Authority.

The Committee was reminded that under s55(1) of the Local Government Pensions Scheme Regulations 2013 the Authority must produce a Governance Compliance Statement. The updated SYPA statement was attached as Appendix A.

It was noted that there had been no fundamental changes to the Statement, but additional text had been added to reflect the changes in the Members' Learning and Development Strategy and to better integrate the role of the Local Pension Board.



Members noted that the Authority did not fully comply in one area which was 'that representatives of participating LGPS employers, admitted bodies and scheme members are members of either the main or secondary committee(s)'.

As there were over 600 employers in the Fund it was acknowledged that it was not practical that all employers were represented on the Authority's committees. To mitigate this a lot of effort was put into employer engagement.

RESOLVED – That members recommend the adoption of the Governance Compliance Statement to the Authority.

CHAIR

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<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>03/03/2022</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
<b>E Mail</b>	<a href="mailto:SharonBradley@barnsley.gov.uk">SharonBradley@barnsley.gov.uk</a>		

## 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 27<sup>th</sup> September 2021 to 13<sup>th</sup> February 2022.
- 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**

**3<sup>rd</sup> March 2022**

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 27<sup>th</sup> September 2021 to 13<sup>th</sup> February 2022

### Purpose of this report

This report has been prepared to update the Committee on our activity for the period 27<sup>th</sup> September 2021 to 13<sup>th</sup> February 2022, 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 13<sup>th</sup> February 2022, analysed by the number of plan assignments and audit days delivered by Service Area.

To date, we have delivered 57% 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 13<sup>th</sup> February 2022 - Plan Days Delivered

2021/22 Plan (incl. c/fwd)	Original Plan Days	Revised Plan Days	Actual days (% of revised days)
Finance	82.5	114.5	61 (53%)
Pensions Admin	37.5	28.5	22 (77%)
Investments	0	0	0
Authority Wide	87	61	33 (54%)
Corporate Services	30	20	22 (110%)
Contingency	4	17	0
<b>Chargeable Planned Days</b>	<b>241</b>	<b>241</b>	<b>138 (57%)</b>

#### Position as at 13<sup>th</sup> February 2022 – Planned Assignments With Report

	Planned assignments in year	Assignments to be completed in period	Actual assignments completed in period	Actual assignments completed to date
<b>Finance</b>	8	3	2*	3
<b>Pensions Admin</b>	5	1	1	4
<b>Investments</b>	0	0	0	0
<b>Corporate Services</b>	1	1	1	1
<b>Authority Wide (DPO Assurance)</b>	3	0	0	0
<b>Total</b>	<b>17</b>	<b>5</b>	<b>4</b>	<b>8</b>

\* The Financial Systems Investment Income Review is almost completed, with a meeting scheduled to discuss and agree the draft report with management.

## 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 2 plan changes during the period, following consultation with management, with both pieces of work being deferred into 2022-23:-

- Pensions Admin System Follow Up – delayed action plan agreement with supplier for new contract;
- Business Continuity Planning – delayed office move.

## 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		
Pensions Admin: Data Quality Improvement Plan	Reasonable	1	1	0	2	2
Finance: Fund Contributions & Rechargeable Pensions	Substantial	0	0	0	0	N/A
Corporate Services: HR Governance	Reasonable	0	4	0	4	4
Finance: Staff Payroll	Substantial	0	0	1	1	1
<b>Total</b>		<b>1</b>	<b>5</b>	<b>1</b>	<b>7</b>	<b>7</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 developing governance assurance framework.
Financial Management and Investment Systems - Design and Implementation	Independent advice, support and challenge to the Project Manager during the design and implementation stage, including user acceptance testing and attendance at training sessions.
Pensions Administration System – Design & Implementation	Independent advice, support and challenge to the Project Manager during the identification / assessment of gaps in current service provision against the new specification of requirements.
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 provide assurance that the National Fraud Initiative data matching exercises have been undertaken.



## 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
Finance: Investment Income			✓
Finance: UPM Payroll		✓	
Finance: Main Accounting		✓	
Finance: Accounts Payable		✓	
Pensions Admin: On-line Retirement Tool		✓	
Authority Wide (DPO Assurance): Information Sharing		✓	
Authority Wide (DPO Assurance): Cybersecurity		✓	
Authority Wide (DPO Assurance): DPIAs		✓	
Authority Wide (DPO Assurance): Data Retention Policy (advisory)		✓	
Finance: Financial Management and Investment Systems - Post Implementation Review	✓		

## 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>	2	0	0	2
<b>Medium</b>	15	2	4	9
<b>TOTAL</b>	<b>17</b>	<b>2</b>	<b>4</b>	<b>11</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 3)

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, bearing in mind the time of year for chargeable time (i.e. impact of profiling of annual leave).

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%	71%	70%
2.3	Average number of days lost through sickness per FTE	Quarterly	6 days	0.69 days	1.07 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.	Sponsor and Operational Lead Questionnaires are circulated at the end of each piece of work. The questionnaires ask 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	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.

PI Ref	Indicator	Comments
	audit report.	
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
Rob Winter	Head of Internal Audit, Anti-Fraud and Assurance	Mobile: 07786 525319 Email: RobWinter@barnsley.gov.uk
Sharon Bradley	Audit Manager	Mobile: 07795 305846 Email: SharonBradley@barnsley.gov.uk

**KEY TO INTERNAL AUDIT ASSURANCE GRADINGS AND CLASSIFICATION OF IMPLICATIONS**

1. **Classification of Implications (impact)**

- High**                      Requires immediate action – imperative to ensuring the objectives of the system under review are met.
- Medium**                 Requiring action necessary to avoid exposure to a significant risk to the achievement of the objectives of the system under review.
- Low**                      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.

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<b>Subject</b>	<b>Internal Audit Plan Report 2022/23</b>	<b>Status</b>	For Publication
<b>Report to</b>	<b>Audit Committee</b>	<b>Date</b>	<b>03/03/2022</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
<b>E Mail</b>	<a href="mailto:SharonBradley@barnsley.gov.uk">SharonBradley@barnsley.gov.uk</a>		

## 1. Purpose of the Report

The purpose of this paper is to present to members of the Audit Committee (The Committee) the draft Internal Audit Plan for 2022/23.

## 2. Recommendations

### 2.1 It is recommended that:-

- i. the draft Internal Audit plan for 2022/23 is approved in principle whilst acknowledging the need for the Head of Internal Audit, in consultation with the Director and Treasurer, to exercise his professional judgement during the year to apply the Plan flexibly according to priority, risk and resources available; and
- ii. the Audit Committee receive quarterly monitoring reports from the Head of Internal Audit, Anti-Fraud and Assurance to demonstrate progress against the plan including information where the Plan has materially varied from the original Plan.

## 3. Background Information

- 3.1 Internal Audit is an important and influential aid to senior management and corporately aims to help the organisation achieve its objectives and priorities by ensuring there is an appropriate and effective internal control, risk and governance framework. The overall opinion issued each year by the Head of Internal Audit, Anti-Fraud and Assurance is used as a key source of assurance to support the preparation of the statutory Annual Governance Statement. Internal Audit also supports the Authority's statutory officers in discharging their responsibilities.
- 3.2 The audit plan is important because it sets out the components of the governance, risk and internal control environment that need to be audited. In addition, it provides a statement of intent and a performance target for Internal Audit and subsequent accountability to the Director, Treasurer, the Senior Management Team (SMT) and the Audit Committee. It is also important that the resources of the Internal Audit Service are utilised effectively. This paper sets out the methodology to demonstrate how this will be achieved.
- 3.3 Internal Audit adopts a risk-based approach to identifying areas to be included in the plan, the performance of its work and to ensure that the Internal Audit service assigns its resources to the

key areas of risk and priority facing the organisation in achieving their objectives and therefore where the greatest value can be added.

- 3.4 This risk-based framework aims to provide a logical basis to compile the annual audit plan, inform likely priorities for future audit plans and ensure that the scope of work enables the service to provide appropriate and sufficient evidence in support of the assurance opinion provided on the adequacy, effectiveness and reliability of the organisation's risk management, governance and internal control processes.
- 3.5 The process outlined complies with the requirements of the Public Sector Internal Audit Standards (PSIAS) which require the plan to be risk-based and informed by the organisation's risk management, performance management and other assurance processes.

#### **4. Basis of the Draft Internal Audit Plan 2022/23**

##### **4.1 Risk Management Arrangements**

**Risk Maturity:** The approach has taken into account the risk maturity of the organisation to consider whether reliance can be placed on the organisation's risk management and other governance processes for identifying areas for audit coverage. Risk maturity has been assessed as "risk managed" which confirms that there is an enterprise-wide approach to risk management which is developed and communicated. The Internal Audit approach therefore provides for an independent audit of the risk management process to be undertaken and the application of risk management to be challenged on an ongoing basis as part of each audit review.

**Risk Registers:** Internal Audit aims to provide assurance to management, Members and other stakeholders that the organisation's risks are being effectively identified and adequately mitigated. Risks have been identified and assessed through reviews of the strategic and operational risk registers.

##### **4.2 Corporate Governance Framework:**

The Governance Assurance Framework underpins every organisational function and activity, and it is therefore essential that this is reviewed in order that assurances can be given regarding its adequacy and effectiveness.

The Internal Audit plan contributes to this process and specific governance reviews are undertaken in order to provide assurance in respect of the organisation's framework. Examples include financial management, contracts / procurement, information security / governance, risk management and HR. Other important elements of the governance framework include health and safety/wellbeing and safeguarding.

##### **4.3 Governance 'Themes':**

All risks, review work, audit findings and implications are governance "themed" for the purposes of linking Internal Audit coverage to risks and assurances. These themes have been based on the key areas of a governance assurance framework. Functionality within the Audit Management System will enable reports covering the defined themes to be produced on audit work completed during a given period.

##### **4.4 Treasurer (Section 73 Officer):**

Mandatory work supports the fulfilment of statutory responsibilities in ensuring the proper administration of the organisation's financial affairs. This work also enables the Head of Internal

Audit, Anti-Fraud and Assurance to form his opinion on the adequacy and effectiveness of the governance, risk and internal control environment. This work includes:

- On a risk basis, a review of core financial systems to ensure there are adequate controls in place to produce reliable financial information and accurate and complete statutory annual accounts. This internal audit work is considered by External Audit when carrying out their audit of the Authority's statement of accounts.
- Review of the financial administration and arrangements for safeguarding cash, assets and financial interests. This includes work which is targeted towards areas with a high risk of misappropriation, misuse, fraud or error. The selection of areas for review in any one year is made following an assessment identifying the areas of greatest risk.
- Ensuring that data matches identified through the National Fraud Initiative (NFI) have been investigated and resolved and reviewing the organisation's risk management arrangements.

#### 4.5 Cumulative Audit Knowledge and Experience

An important element of audit planning is the application of audit knowledge and experience through the review of key plans, reports, press coverage and national issues.

In addition, the knowledge of existing management and internal control environments, including information relating to any system changes and a professional judgement on the risk of fraud or error has been taken into account along with the outcome of the National Fraud Initiative.

Other considerations have included the following:

- Business plans and the significance / impact of the changes on the control framework;
- Previous audit assurance opinions;
- The results of the follow-up of agreed management actions;
- The elapsed time since any previous audit coverage;
- External assurance provided in relation to a particular risk or risks as part of external inspection, intervention and audit activity. Internal Audit is mindful to avoid any possible duplication of effort in this regard.

#### 4.6 Follow-up Work:

Targeted follow-up work is designed to maximise the benefit of the original work, by ensuring that the agreed management actions in response to findings and implications have been completed and the appropriate outcomes achieved.

#### 4.7 Responsive Work:

An allowance is made within the plan to deal with requests for advice and unplanned audit work which arise throughout the year. The work usually follows requests from SMT/Treasurer for support and advice, and specific issues arising during the course of individual audits. Internal Audit's flexibility to respond promptly to issues of this nature is highly valued and can often highlight some of the more significant items of concern and areas for improvement.

Careful consideration will be given to ensure the right balance is struck between allocating resources to planned work and maintaining a contingency of days in order to respond to any request for advice and support as outlined above.

#### 4.8 Allocated Days

The number of planned days in the indicative Plan for 2022/23 is 227 (including 17 days to complete reviews that commenced in quarter 4 of 2021/22). This is a slight reduction of 14 planned days, the plan being 241 days in 2021/22.

#### 4.9 Consultation

The Director, SMT and the Treasurer have been consulted in terms of the approach, risk assessment process and content of the plan.

### 5. **Emerging Risks and Revisions to the Plan**

5.1 Following approval of the draft Audit Plan by the Audit Committee, it is subject to on-going review throughout the year. This is to ensure that it remains relevant and linked to the Authority's strategic objectives.

5.2 Progress against the plan is regularly monitored as part of Internal Audit's performance management arrangements and is reported quarterly to the Audit Committee. Any amendments to the plan in terms of unplanned, deleted or deferred work will be agreed with the Director and Treasurer and reported to the Audit Committee.

### 6. **Implications**

6.1 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, MK Insight (Audit Management System), Public Sector Internal Audit Standards 2017	Barnsley Metropolitan Borough Council, Westgate Plaza, Barnsley.



Draft Internal Audit Plan 2022/23

Job Title	Indicative Scope	Governance Areas
C/fwd Reviews	To complete the planned work that commenced in Q4 of 2021-22 financial year.	All
Advice	Provision of advice, as and when requested.	All
Advice and Support - HoIA	Provision of advice and support from the HoIA, as and when requested.	All
Planning & Feedback	Day to day management of annual audit plan, including scheduling of resources and incorporating any revisions. Research across the sector.	All
Follow Up of Agreed Management Actions (AMAs)	Follow up and update of the status of agreed management actions (AMAs) from audit assignments.	All
Annual Audit Planning	To discuss and develop an agreed annual audit plan for 2023/24	All
Audit Committee	Preparation of reports and attendance at the Audit Committee meetings. Liaison with the Chair of the Audit Committee.	All
Client Liaison	To prepare for and attend client plan update meetings, periodic attendance at SMT etc.	All
AGS Process	To provide advice, support and guidance to management during the transition to the new enhanced Governance Compliance Statement.	All
Risk Management	To provide assurance that the Risk Management Framework is fit for purpose and that risks are being effectively and efficiently managed / monitored.	All
NFI	To undertake the required data matching exercises.	DQ; EI; FM
Procurement Compliance	To follow up on the lessons learned arising from the procurement of insurance provision review undertaken in 2020/21, providing assurance that these have been considered and factored into future procurement processes.	CP; PP; PM; LG; FM
Business Continuity Planning	To provide assurance that the lessons learned / innovative working practices arising from the reactive phase to the pandemic and also the revised arrangements following the office move have been considered and factored into BAU (where required). The BCP Plans have been revised/updated and tested.	DM; DQ; ER; HR; IG

Page 25

Job Title	Indicative Scope	Governance Areas
Programme / Project Management	To provide advice, support and guidance to the newly appointed Project Manager, during the development and implementation of a programme/project management framework. In addition, to provide assurance with regards to the project management arrangements of one project to be delivered during 2022-23 to ensure lessons learned are identified and considered for future projects.	DM; DQ; IG; EQ; FM; HR; PM; PP
Management Information / Reporting	To provide advice, support and guidance to management during the design phase of management information / reporting from the newly implemented systems (Finance, Pensions Admin, HR/Payroll) to ensure that reporting is consistent, accurate, timely and efficient.	DM; DQ; IG; PM
DPO Audit Assurance	Time allocated for IA to undertake reviews commissioned by the Data Protection Officer.	IG; LG; DQ
Annual Benefits Statement	To provide assurance that the processes to complete the statement are effective and efficient. This is a statutory function, and processes are being revised following a system upgrade. Statement due to be completed in August 2022.	IG; LG; DQ
Pensions Savings Statement	To provide assurance that the processes to complete the statement are effective and efficient. This is a statutory function, and processes are being revised following a system upgrade. Statement due to be completed in September 2022.	IG; LG; DQ
Revaluation of Actuaries	To provide assurance to management that the feedback received following the revaluation of the Actuaries has been considered, with agreed management actions/ owners/ timescales to address.	IG; LG; DQ
Core Financial Systems	To provide assurance that systems and controls are robust and operating effectively and efficiently. Risk based strategy, systems to be determined.	FM; DQ; AM
Budget Management / Monitoring	To provide assurance that the revised budget management arrangements are robust, effective and efficient with clearly defined processes to be adopted, roles and responsibilities.	FM; DM; DQ; IG
Staff Payroll and HR System - Design and Implementation	To provide advice, support and guidance to management during the design and implementation stages of the Payroll and HR System(s). Currently Flexipay and T&A. The systems and processes need modernising incl. workflows e.g. online expenses claims, and better interfacing with the Internet site for recruitment.	DM; DQ; IG; FM; AM; CP; IS; PM; PP
General Contingency	Small unallocated provision of days to accommodate changes in the scope of work, ad hoc requests beyond advisory and general unplanned work.	All

Governance Areas – Key:

AM	Asset Management
CP	Procurement, Commissioning and Contract Mgt
DM	Governance / Decision Making Arrangements
EI	Ethical Standards and Conduct Mgt
EQ	Equalities and Inclusion
ER	Business Continuity and Emergency Resilience
FM	Financial Management
HR	Workforce / HR Management
HS	Health and Safety
IG	Information Governance/ Security
IS	Information Systems Management
PM	Performance Management and Data Quality
PP	Project / Programme Management
PS	Partnership, Relationship & Collaboration Governance
RC	Regulatory Compliance
RM	Risk Management

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## South Yorkshire Pensions Authority

### Planning report to the Pensions Authority Audit Committee on the 2021/22 audit

Issued on 22 February 2022

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# Partner introduction

## The key messages in this report

I have pleasure in presenting our Planning Report to the Pensions Authority Audit Committee (the 'Audit Committee') for the 2021/22 audits of South Yorkshire Pensions Authority (the 'Authority') and South Yorkshire Pension Fund (the 'Fund'). We would like to draw your attention to the key messages of this paper:

### Audit quality is our number one priority

We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

A robust challenge of the key judgements taken in the preparation of the financial statements.

A strong understanding of your internal control environment.

A well planned and delivered audit that raises findings early with those charged with governance.

### Changes in the year

Based on our discussions with the finance team, we have been made aware of the following developments:

- The remaining bonds have been transferred to Border to Coast Pensions Partnership ('BCPP');
- The Authority has moved offices in December 2021; and
- The Authority has changed to Cloud Financials as its accounting package.

There have been no significant regulatory changes to the accounting of the Fund or the Authority in the current year. The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the 2021/22 Code") applies in the current year.

### Significant audit risks

As part of our audit planning procedures and based on planning discussions held we have created our risk assessment so that our plan reflects those areas which we believe have a greater chance of leading to material misstatement of the financial statements.

Our significant audit risks are:

- Valuation of commercial property (offices) – Fund; and
- Management override of controls – Fund and Authority.

Our scoping decisions and proposed approach to testing these areas is outlined on pages 14 to 16.

### Non-compliance with laws and regulations, including fraud

We are committed to delivering a robust challenge of the key judgements taken in the preparation of the financial statements; to gain a strong understanding of your internal control environment; and to deliver a well planned audit that raises findings early with those charged with governance.

Our core team will be supplemented by IT specialists in order to support us in our testing of the IT controls and review of the implementation of the new finance system and Deloitte Real Estate (DRE) to challenge the valuation basis of a sample of directly held properties.

**Nicola Wright**  
Audit Partner

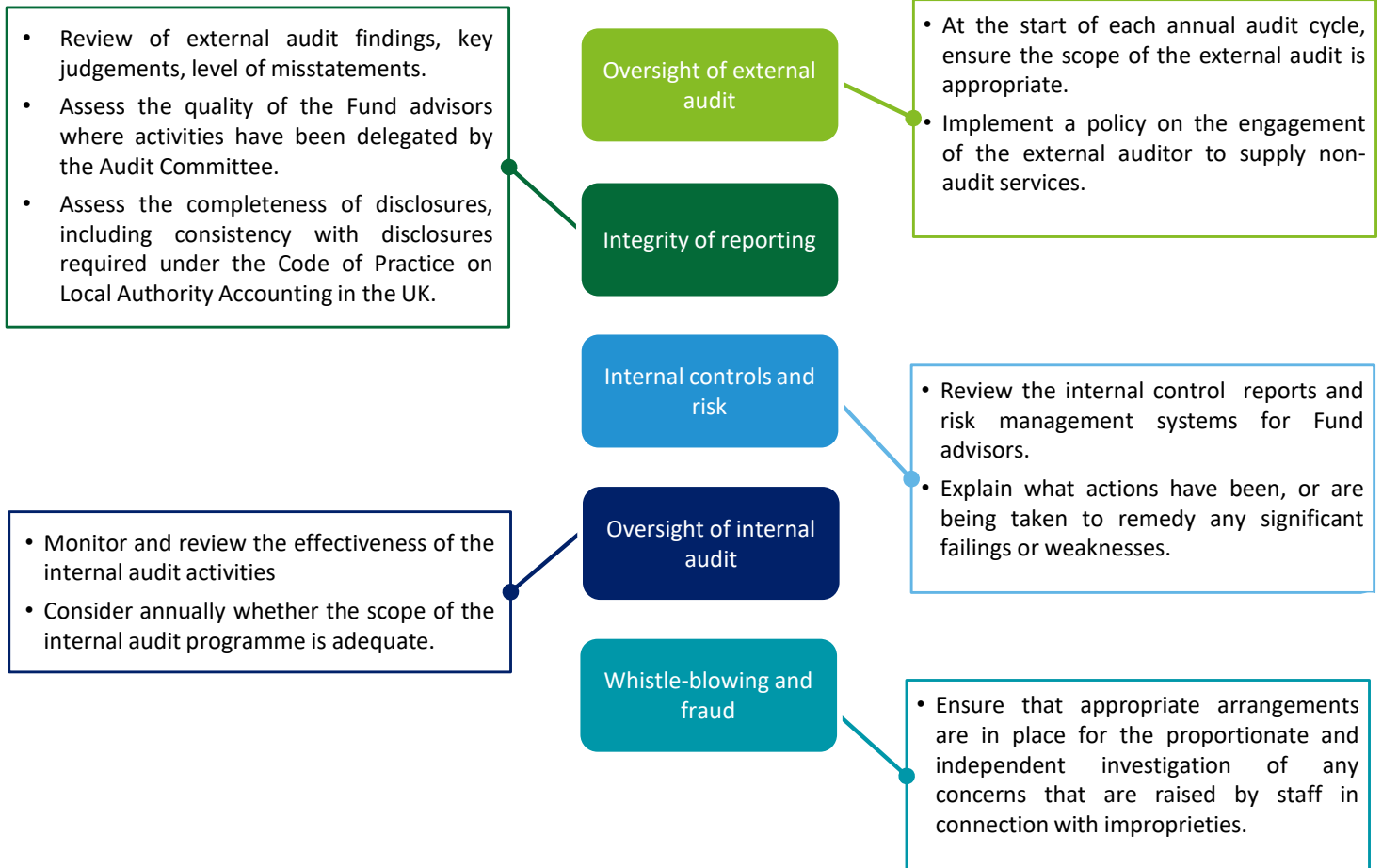
# Responsibilities of the Audit Committee

## Helping you fulfil your responsibilities

The primary purpose of the auditor's interaction with the Audit Committee:



As a result of regulatory change in recent years, the role of the Audit Committee has significantly expanded. We set out here a summary of the core areas of Audit Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps those charged with governance in fulfilling their remit.

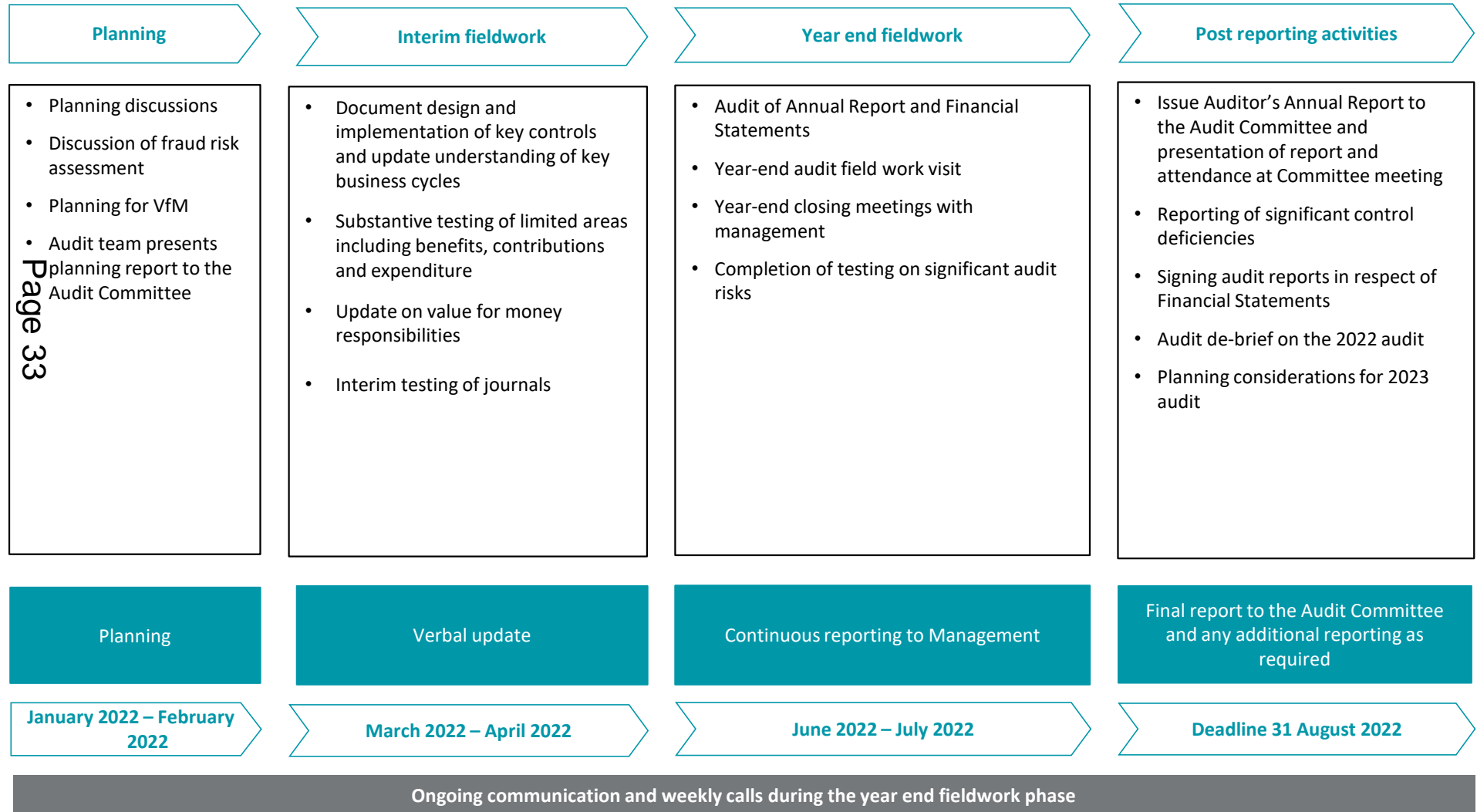




# Continuous communication and reporting

## Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn and initial comments from the interim and final visits will be shared with management as required. The following sets out the expected timing of our reporting to and communication with you.



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# Scope of work and approach

## Key areas of responsibility under the Audit Code

### Financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) as adopted by the UK Auditing Practices Committee and Code of Audit Practice issued by the National Audit Office (“NAO”). The financial statements will be prepared under the Code of Practice on Local Authority Accounting 2021/22 issued by CIPFA and LASAAC.

### Annual Governance Statement

We are required to consider the completeness of the disclosures in the Authority’s Annual Governance Statement in meeting the relevant requirements and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and other work.

As part of our work we will review the annual report and compare it with other available information to ensure there are no material inconsistencies.

### Value for Money (VFM)

We are required to consider the arrangements that the Authority has made securing financial resilience and economy, efficiency and effectiveness in its use of resources, if we identify any significant weaknesses to make recommendations, and to provide a narrative commentary on arrangements.

To perform this work, we are required to:

- Obtain an understanding of the Authority’s arrangements sufficient to support our risk assessment and commentary;
- Assess whether there are risks of a significant weakness in the Authority’s arrangements, and perform additional procedures if any risk identified. If a significant weakness is identified, we report this and an accompanying recommendation;
- Report in our audit opinion if we have reported any significant weaknesses; and
- Issue a narrative commentary in our Annual Auditor’s Report on the arrangements in place.

# Materiality

## Our Approach to Materiality – Fund

### Basis of our materiality benchmark

- The audit partner has estimated the provisional financial statement materiality as £107.9m (2021: £98.6m), based on professional judgement, the requirement of auditing standards and the net assets of the Fund. These figures are based on the 31 December 2021 investment assets valuation.
- We will use 1% of Fund net assets (taken from the draft financial statements) as the benchmark for determining our materiality levels for 2022.

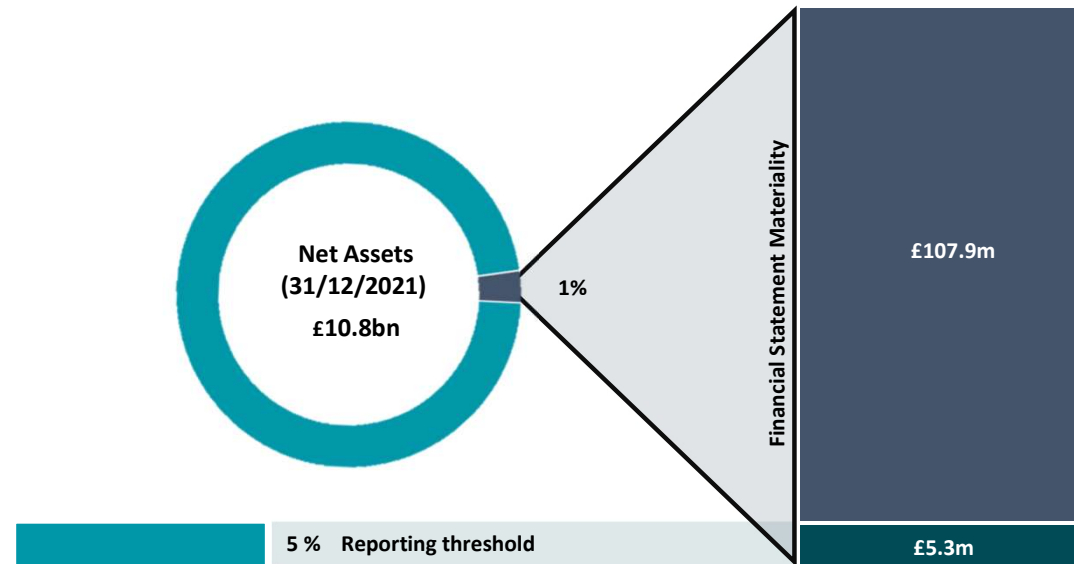
The basis for our materiality calculations is the same as the previous year.

Page 35  
Reporting to those charged with governance

- We report to you on any misstatements above our reporting threshold (“RT”) which is 5% of the materiality level.
- Misstatements below these thresholds will be reported if we consider them to be material by nature.
- We will update current year materiality figures and reporting to those charged with governance figures for the Fund on receipt of the draft 2022 financial statements.

### Materiality calculation

Although materiality is the judgement of the audit partner, the Audit Committee members must be satisfied the level of materiality chosen is appropriate for the scope of the audit.



# Materiality

## Our Approach to Materiality – Authority

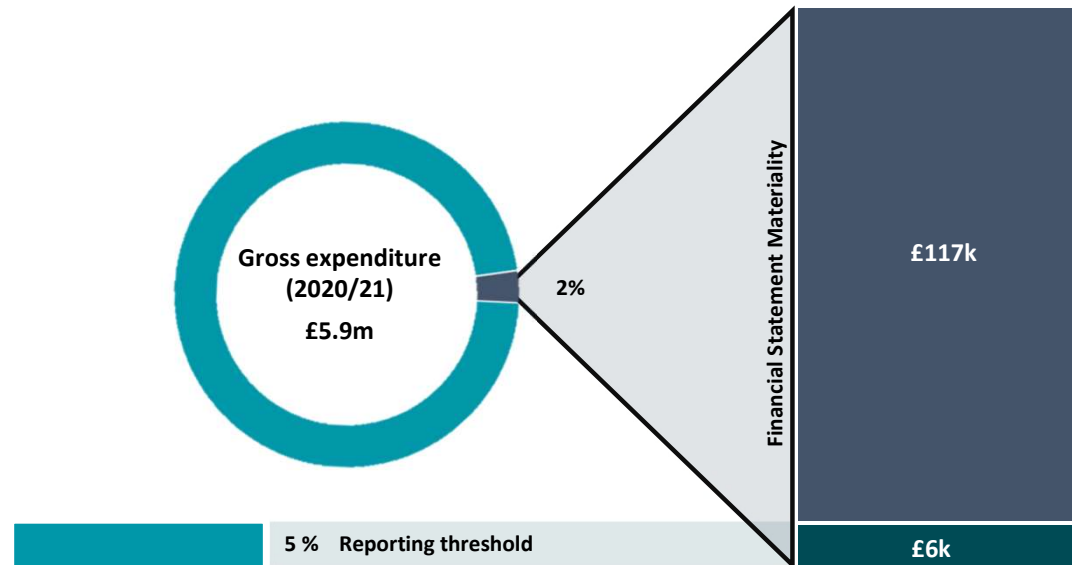
### Basis of our materiality benchmark

- The audit partner has estimated the provisional financial statement materiality as £117k (2021: £117k), based on professional judgement and the requirement of auditing standards. These figures are based on the signed 2021 financial statements.
- We have used 2% of gross expenditure as at 31 March 2021 as the benchmark for determining our materiality levels.

The basis for our materiality calculations is the same as the previous year.

### Materiality calculation

Although materiality is the judgement of the audit partner, the Audit Committee members must be satisfied the level of materiality chosen is appropriate for the scope of the audit.



- We report to you on any misstatements above our reporting threshold (“RT”) which is 5% of the materiality level.
- Misstatements below these thresholds will be reported if we consider them to be material by nature.
- We will update current year materiality figures and reporting to those charged with governance figures for the Authority on receipt of the draft 2022 financial statements.

# Your control environment

## What we consider when we plan the audit

We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with deficiencies identified on a timely basis.

### Responsibilities of management

Auditing standards require us to only accept or continue with an audit engagement when the preconditions for an audit are present. These preconditions include obtaining the agreement of management and those charged with governance that they acknowledge and understand their responsibilities for, amongst other things, internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We recommend that the Authority complete the Code checklist during drafting of their financial statements.

### Responsibilities of the Audit Committee

As explained further in the Responsibilities of the Audit Committee on page 4, the Audit Committee is responsible for:

- Overseeing the internal control and risk management systems; and
- Overseeing and understanding what actions management have been, or will be, taking to remedy any significant failings or weaknesses.

As stakeholders tell us that they wish to understand how external audit challenges and responds to the quality of an entity's control environment, we are seeking to enhance how we plan and report on the results of the audit in response. We will be placing increased focus on how the control environment impacts the audit, from our initial risk assessment, to our testing approach and how we report on misstatements and control deficiencies.

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# Scoping – Fund

## Summary of account balances (Fund Account)

Below we have considered each of the Fund’s significant account balances. We will report factually on the key audit risks that have the biggest impact on the audit, explaining why the risk is relevant within the specific circumstances of the Fund and clearly document the specific procedures we will perform to address the key audit risks. The estimated account balances below are based on the prior year signed financial statements. We will report control observations and other findings in our final report to the Audit Committee on work performed on other account balances.

### Contributions – 2021: £303.5m

This is a material balance, although we do not consider it a significant risk. We have categorised this as an area of audit focus to consider the accuracy as well as completeness of contributions on page 18.

### Benefits payable and transfers out – 2021: £331.2m

Benefits payable and transfers consists of material pensions payable and transfers out. Pensions will be subject to audit testing but we have not classified them as a significant risk in our risk assessment, as we do not consider this to be a complex account balance that could drive material misstatement.

### Management expenses – 2021: £64.6m

We have not categorised as a significant risk or area of focus in our risk assessment because the balance is not material.

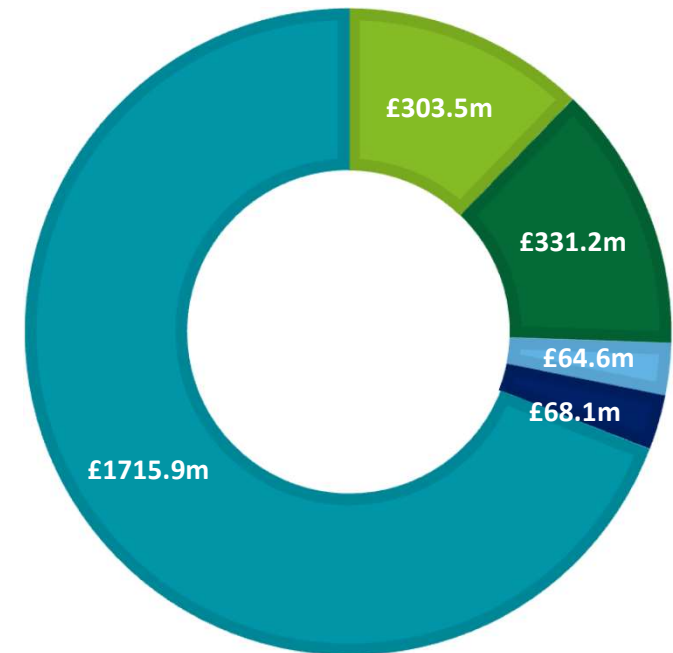
### Investment income – 2021: £68.1m

This balance is net of interest expense. We have not categorised investment income as a significant risk in our risk assessment because the balance is simple and considered low risk. We will agree a sample of income receipts to source documentation and test for completeness of income.

### Change in market value – 2021: £1,715.9m

We have not categorised change in market value as a significant risk in our risk assessment because the balance is manually recalculated as part of our investments reconciliation and is therefore considered to be a lower risk balance.

**FUND ACCOUNT BALANCES**  
**31/03/2021**



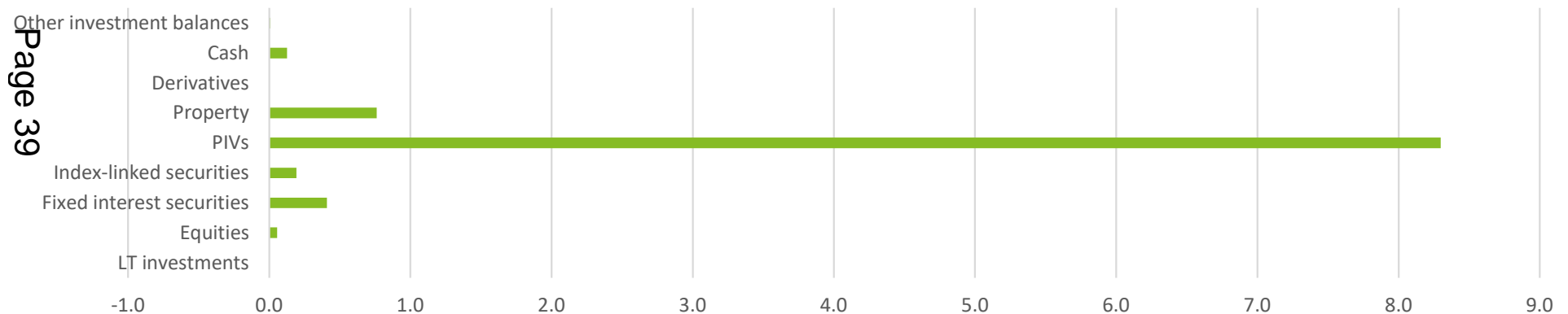
# Scoping – Fund

## Summary of account balances (Statement of Net Assets)

### Investment Assets – 2021: £13,918.4m

- **Bonds** - We have not categorised bonds as a significant risk in our risk assessment because the balance is considered routine in nature and is not complex. We will use our pricing vendors to efficiently test the valuation of a sample of quoted equities and equities.
- **Pooled Investment Vehicles (“PIVs”)** - The majority of PIVs consist of the private equity portfolio, which has been discussed on page 19.
- **Property** - We have detailed our risk over the Fund’s significant holding in directly held properties on pages 15 and 16.
- **Derivatives** – We have not categorised derivatives as a significant risk because the balance is not material and is therefore scoped out of testing.
- **AVCs/cash/other investments** - We have categorised cash or other investments as a significant risk because the balance is considered routine in nature and is not complex. We will substantively test a sample of each balance.

### Statement of net asset balances (£bn)



### Current assets and long term debtors – 2021: £26.4m

We will agree the year-end cash balance to an independent confirmation as well as testing the bank reconciliations. All other current asset balances are immaterial and therefore will be scoped out of testing.

### Current liabilities – 2021: £13.4m

We will also review the post year end cashbooks for evidence of any unrecorded liabilities. All other current liability balances are immaterial and therefore will be scoped out of testing.





**Significant  
audit risks**



# Significant risks

## Our risk assessment process and significant risks identified

Significant risks are defined as risks which require a tailored, elevated audit response in terms of the nature, timing and extent of audit testing. Significant risks are based on professional judgement and the results of the risk assessment procedures we have performed.

We consider a number of factors when deciding on the significant audit risks. These factors include:

- external market factors such as the impact of Brexit and the Covid-19 pandemic;
- our assessment of materiality; and
- the changes that have occurred in the Fund and Authority and the environment they operate in since the last annual report and financial statements.

We have rebutted the risk of fraud in revenue recognition for both the Fund and the Authority. Given the nature of the revenue received, it is our judgement that there is not a significant risk of material misstatement. We will however perform audit testing to a normal risk level.

Risk Identified	Material / Pervasive	Level of Management Judgement	Fraud Risk	Expert Utilised	Further Details
Management override of controls – Fund and Authority	Yes	Medium	Yes	No	Page 14
Valuation of directly held commercial property (offices) – Fund	Yes	Medium	No	Yes	Pages 15 - 16

# Significant risks

## Management override of controls – Fund and Authority

### Risk identified

---

In accordance with ISA 240 (UK), management override is always a significant risk for financial statement audits. The primary risk areas surrounding the management override of internal controls are over the processing of journal entries and the key assumptions and estimates made by management.

During the 2021/22 year, the accounting system was upgraded to Cloud Financials and the Fund and Authority general ledger balances were migrated accordingly. We have raised the completeness of transfer as an area of audit focus on page 18.

### Response of those charged with governance

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The Audit Committee does not have access to the Fund and Authority accounting system and does not process any journals in respect of the Fund and Authority. This responsibility lies with the in house administration team.

### Deloitte response to significant risk identified

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In order to address the significant risk we will perform the following audit procedures:

- Use Spotlight, our data analytics software, in our journals testing to interrogate 100% of journals posted across the Fund and Authority. This uses intelligent algorithms that identify higher risk and unusual items;
- Substantively test the appropriateness of a sample of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Test the design and implementation of key controls in place around journal entries and key management estimates;
- Test the design and implementation of controls around the investment and disinvestment of cash during the year (Fund only);
- Review the accounting estimates for bias, that could result in material misstatement due to fraud, including whether any differences between estimates best supported by evidence and those in the financial statements, even if individually reasonable, indicate a possible bias on the part of management; and
- Perform a retrospective review of accounting estimates to assess the historic accuracy of management's estimates.



# Significant risks

## Valuation of directly held commercial property (offices) – Fund only

### Risk identified

The Fund has a significant holding in directly held UK properties both freehold and leasehold. The valuation of these properties is based on assumptions such as rental returns and occupancy rates, geographical location and market trends. Due to the specialist nature of this investment type, the valuation is more challenging for us to assess as auditor and requires specialist involvement as part of our audit response.

As the economy continues to recover from the impact of COVID-19, we expect there to be more market transactions resulting in more transparency and less judgement being involved in the preparation of property valuations. Due to the specialist nature of this investment type and the increased risk factors in the current year we have retained the significant audit risk in respect of this balance.

We have initially disaggregated our risk to specifically focus on following sectors:

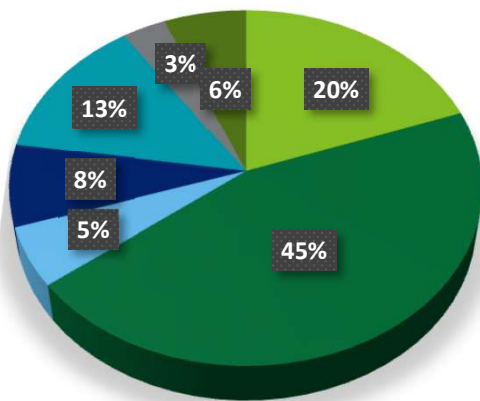
- **Offices:** Whilst values have not been as hard hit as expected by the transition to home working, there seems to be an inherent belief on the part of landlords that the office sector will bounce back. However, this may not be the case and things will become clearer over Q1 2022, as more people are able to return to the office.
- **Retail/ Retail warehouses:** Whilst some valuations have begun to level off as the economy has adjusted to the new retail market, the market is yet to adjust to the potential shift to flexi leases and turnover rents which may have an impact on valuations.

**Hotels:** There is residual risk here as the return to international/business travel is unproven. In recent months there has been evidence of capital targeting hotels, but this is mainly due to a perception that there will be distress as business support unwinds, meaning that investors can be comparatively cheap.

All other properties sectors are considered to be stable and will therefore be assessed as an audit focus area.

However, the only material valuation balance above relates to the Offices portfolio, and we will therefore attach our significant risk to this category only.

Direct commercial property  
at 31 March 2021



Sector	Total value £m	Number of properties
Office - 20%	113.1	8
Industrial - 45%	261.2	15
Retail warehouse - 5%	31.5	5
Retail - 8%	43.2	7
Supermarket - 13%	76.3	3
Hotel - 3%	19.0	1
Other - 6%	35.8	1

# Significant risks

## Valuation of directly held commercial property – Fund only (continued)

### Response of those charged with governance

The Fund has engaged JLL to assist in the valuation of the direct property holdings. There are regular valuation meetings held between Fund management and the valuers to monitor Fund property.



### Deloitte response to valuation risk identified

In order to address the significant risk our audit procedures will consist of the following:

- Assess the design and implementation of controls around the valuation of direct properties;
- Assess the reliability, competence and capabilities of JLL Limited;
- Vouch the Fund financial statements to the direct third party confirmation provided by JLL, including an assessment of post balance sheet events and the impact on the valuation of direct property;
- Utilise Deloitte Real Estate (“DRE”) to risk profile the property portfolio to assess whether there are properties of audit interest and assess the appropriateness of the methodology and assumptions used in determining their values;
- Agree a sample of properties held at the Fund year end to confirmations on land registry that title deeds were held and in the name of the Fund/Authority and vouch disposals to appropriate support; and
- Prepare an expectation of the year end valuation of each property held by the Fund/Authority using comparable regional market indices and comparing the expectation to the valuation provided by JLL;
  - For hotels, retail and retail warehouses properties, where properties have a significant difference to our expected valuation we will utilise Deloitte Real Estate (DRE) to challenge the valuations provided by JLL and assess the detail and assumptions within the valuation report to support the valuations provided;
  - For the other property sectors (including the agricultural portfolio), if these properties also have a significant difference to our expected valuation, we will also consider these to be a significant risk and will refer them to DRE also.



# Other audit focus areas



# Other audit focus areas

## Other areas of focus

#	Area of Focus	Risk and procedures
1	<b>Completeness of transfer following migration of accounting system to Cloud Financials – FUND AND AUTHORITY</b>	<p>During the 2021/22 year, the accounting system was upgraded to Cloud Financials and the Fund and Authority general ledger balances were migrated accordingly. There is a risk of loss of data, and as a result we consider the completeness of transfer of accounting data an area of audit focus.</p> <p>Our procedures to assess this risk include:</p> <ul style="list-style-type: none"><li>• Review the controls over the migration process;</li><li>• Perform procedures to gain assurance over the accuracy and completeness of Fund and Authority general ledger balances following the migration;</li><li>• Involve our IT specialists, as appropriate, in the review of the migration process; and</li><li>• Review the reconciliation of balances report to ensure completeness of transfer.</li></ul>
2	<b>Completeness and accuracy of contributions - FUND</b>	<p>There is some complexity surrounding the accuracy and completeness of employee and employer contributions received by the Fund. The employer primary and secondary contribution rates are dictated by the actuarial valuation and these vary between the contributing employers. Employee contributions are based on varying percentages of employee pensionable pay, this can vary month to month and the Fund has no oversight of the individual employer payrolls.</p> <p>As a result of this we consider the accuracy and completeness of contributions to be an area of audit focus.</p> <p>Our procedures to assess this risk include:</p> <ul style="list-style-type: none"><li>• Perform an analytical review of the employer and employee normal contributions received in the year, basing our expectation on the prior year audited balance, adjusted for the movement in active member numbers, contribution rate changes and any average pay rise awarded in the year;</li><li>• For a sample of active members, we will recalculate individual contribution deductions to ensure these are being calculated in accordance with the rates stipulated in the LGPS Regulations for employee contributions and the recommendations of the actuary for employer contributions;</li><li>• Test that the correct definition of pensionable salary is being used per the LGPS Regulations to calculate contribution deductions; and</li><li>• For a sample of monthly contributions paid, check that they have been paid within the due dates per the LGPS Regulations.</li></ul>

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# Other audit focus areas

## Other areas of focus

#	Area of Focus	Risk and procedures
3	<b>Completeness of investment transactions and valuation of alternatives - FUND</b>	<p>The Fund holds a large and highly material portfolio of investments and, due to the ongoing changes and numerous transactions within this portfolio, there is considered an increased risk of material misstatement.</p> <p>Additionally, within this portfolio is a range of alternative investments, including private equity and debt funds as well as limited partnerships and hedge funds. At 31 March 2021 these totalled c.£1.8bn. These funds do not have publicly available prices and are often infrequently priced increasing the risk of stale pricing. As a result of this we consider the completeness and valuation of these to be an area of audit focus.</p> <p>Our procedures to assess this risk include:</p> <ul style="list-style-type: none"><li>• Review the controls over the completeness and valuation of investments by obtaining the investment manager and custodian internal control reports (where applicable) and evaluating the implications for our audit of any exceptions noted;</li><li>• Agree the year end valuations as reported in the financial statements to the reports received independently from the investment managers;</li><li>• Agree registered funds and directly held investments to publicly available prices;</li><li>• Perform independent valuation testing for a sample of year end alternative fund holdings by rolling forward the valuation as per the latest audited accounts using cashflows and an appropriate index as a benchmark;</li><li>• Ensure appropriate stale price adjustments have been posted to the financial statements;</li><li>• Obtain and audit a unit reconciliation in which the opening investment balances and unit quantities are reconciled to the closing investment balances and unit quantities by taking into account the movement that occurred during the year (i.e. sales, purchases, change in market value); and</li><li>• Test the completeness of investments by agreeing a sample of sales and purchases transactions to the investment manager confirmations and to the bank statements in respect of disinvestments.</li></ul>

# Other audit focus areas

## Other areas of focus

#	Area of Focus	Risk and procedures
4	<b>Valuation of pension liability - AUTHORITY</b>	<p>The net pension liability is a material element of the Authority's balance sheet. The actuarial valuation of the Fund relies on a number of assumptions and an actuarial methodology which results in the Authority's overall valuation. Furthermore, there are financial and demographic assumptions used in the calculation of the Authority's valuation – e.g. the discount rate, inflation rates, mortality rates. These assumptions should reflect the profile of the Authority's employees, and should be based on appropriate data. There is a risk that the IAS 19 liability may be misstated as a result of inappropriate or incomplete membership data being provided to the actuary, or as a result of inappropriate demographic or Fund specific actuarial assumptions. In addition, there is a change in actuary from Mercer to Hymans Robertson in the current year.</p> <p>Our procedures to assess this risk include:</p> <ul style="list-style-type: none"><li>• Obtain an understanding of the controls in place in relation to review of the assumptions by the Authority;</li><li>• Evaluate the competency, objectivity and independence of the actuarial specialist used by the Fund;</li><li>• Review the methodology and appropriateness of the assumptions used in the valuation, utilising a Deloitte Actuary to provide specialist assessment of the variables used;</li><li>• Evaluate the roll forward approach used by the actuary to ensure that this is appropriate;</li><li>• Review the pension related disclosures in the financial accounts; and</li><li>• Ensure the pension assets and membership information is consistent with those as per the Pension Fund financial statements.</li></ul>

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# Other audit focus areas

## Other areas of focus

#	Area of Focus	Risk and procedures
5	<b>Value for Money ('VfM') - AUTHORITY</b>	<p>We are required to consider the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the requirements of the Code of Audit Practice 2020 and related Auditor Guidance Note 03 ('AGN03'), we are required to:</p> <ul style="list-style-type: none"><li>• Perform work to understand the Authority's arrangements to secure economy, efficiency and effectiveness in the use of resources against each of the three reporting criteria (financial sustainability, governance, and improving economy, efficiency and effectiveness);</li><li>• Undertake a risk assessment to identify whether there are any risks of significant weaknesses in arrangements;</li><li>• If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement;</li><li>• Issue a narrative commentary in the Auditor's Annual Report, setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings. If significant weaknesses are identified, the weaknesses and recommendations will be included in the reporting, together with follow-up of previous recommendations and whether they have been implemented; and</li><li>• Where significant weaknesses are identified, report this by exception within our financial statement audit opinion.</li></ul> <p>Our procedures to assess the risk include the following:</p> <ul style="list-style-type: none"><li>• Hold meetings with the Head of Finance and Corporate Services and Director;</li><li>• Review the draft Annual Governance Statement;</li><li>• Consider other issues identified through our other audit work;</li><li>• Gain an understanding of the arrangements around the implementation of the new finance system; and</li><li>• Consider the Authority's and Fund's results for the financial year.</li></ul>



# Maintaining audit quality

# Our approach to quality

## AQR team report and findings

Executing high quality audits remains our number one priority. We are committed to our critical public interest role and continue to embed our culture of quality and excellence into all of our people. This includes using new technology and tools to continue to transform our audit approach.

In July 2021 the Financial Reporting Council (“FRC”) issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review (“AQR”) team for the 2020/21 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

In that context, overall FRC inspection results, showing an improvement since last year from 76% to 79% of all inspections assessed as good or needing limited improvement, reflect the progress we are making. The overall profile of our ICAEW inspections and our internal inspection programme also show a similar overall improvement since last year.

The results for the inspections of FTSE 350 entities fell short of our overall scores, reflecting specific findings on those particular audits rather than issues pervasive across other audits. Our objective continues to be for all of our audits to be assessed as good or needing limited improvement and we know we still have work to do in order to meet this standard.

We agree with and accept the FRC’s findings on the individual inspections. The FRC has recognised improvements following the actions and programmes for previous years and we welcome the good practice points raised, including in respect of impairment and revenue where individual findings continue to occur.

Overall, we are pleased that there have been no significant findings over our firm wide processes and controls over the last three inspection cycles in the areas subject to rotational review by the FRC. However, we are continually enhancing our processes and controls across our business and such changes will directly or indirectly affect audit quality.

All the AQR public reports are available on its website.

<https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports>

### The AQR’s 2020/21 Audit Quality Inspection Report on Deloitte LLP

“We reviewed 19 individual audits this year and assessed 15 (79%) as requiring no more than limited improvements. Of the 11 FTSE 350 audits we reviewed this year, we assessed eight (73%) as achieving this standard”.

- “Our key findings related primarily to the need to:
- Improve the evaluation and challenge of management’s key assumptions of impairment assessments of goodwill and other assets.
- Enhance the consistency of group audit teams’ oversight of component audit teams.
- Strengthen the effectiveness and consistency of the testing of revenue.”

“The firm has taken steps to address the key findings in our 2019/20 public report, with actions that included increasing the extent of consultations, and enhanced learning, coaching and support programmes.

We have identified improvements, for example, in the extent of challenge of management by audit teams in respect of the estimates used for model testing. This was identified as a key finding last year.

We also identified good practice in a number of areas of the audits we reviewed (including robust procedures relating to going concern and evidence to support the challenge of management in areas of key judgement) and in the firm-wide procedures (including establishing a centre of excellence focused on credit for banking audits to encourage the consistent application of the firm’s methodology and guidance).“

# Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

## What we report

Our report is designed to establish our respective responsibilities in relation to the financial statements audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope; and
- Key regulatory updates, relevant to you.

## What we don't report

- As you will be aware, our audit is not designed to identify all matters that may be relevant to the Audit Committee.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.
- Finally, the views on internal controls and Fund risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

## Other relevant communications

Our technical updates provide the Audit Committee with some insight in to relevant topical events in the pensions industry.

- We will update you if there are any significant changes to the audit plan.

This report has been prepared for the Audit Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.

**Nicola Wright**

for and on behalf of Deloitte LLP

Newcastle upon Tyne | 21 February 2022





# Topical matters



# Topical matters

## New powers to block suspicious pension transfers



Pension providers and Trustees will have the power to block pension transfer requests if they suspect a member is being scammed, under new measures that come into force. New rules that came into force from 30 November 2021 give Trustees and pension providers the power to block or pause a member's transfer out request if they have serious concerns about the destination of the transfer value.

Under the new powers, Trustees and administrators will be able to intervene in a transfer if the information they have gathered from the receiving scheme or any scheme member triggers a "red" or "amber" flag. These flags are detailed below.

Guy Opperman, minister for pensions said "We are tackling the scourge of pension scams in practical terms to safeguard pensioners' hard-earned savings. These measures will provide better protection for savers." The new powers are therefore widely seen as a way for Trustees to protect their members and prevent any future scams going forward. Under the rules, all transfers to master trusts, collective defined contribution (CDC) schemes and funded public sector schemes will effectively be exempt as they are regarded as safe destinations.

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The member has not responded to a request for information in relation to a suspicious transfer.

- The member indicates they have received financial advice from a company without the appropriate regulatory permissions.
- The member has requested the transfer following an unsolicited approach from an individual or firm they had no existing relationship with.
- The member has been pressured, or indicated they felt pressured, to make the transfer.



When an amber flag is raised, Trustees and their administrators will be required to direct them to Pension Wise guidance and confirm the member has received that guidance before letting the transfer go ahead.

Amber flags would be raised where:

- There are high-risk or unregulated investments included in the scheme the person is transferring to.
- The fees charged by the receiving scheme are unclear or high.
- The proposed investment structures are complicated or unorthodox The receiving scheme includes overseas investments.

\*Red and amber flags source AJ Bell



**Deloitte response:** The AC should engage with the administration at SYPA to ensure that processes have been put in place to ensure that the new rules were implemented from 30 November 2021 and that these further steps have been implemented to protect members against pension scams.

# Topical matters

## Pensions related fraud



Pension schemes are attractive to fraudsters. Large sums of money being held for beneficiaries, who, in most cases, have very little involvement in overseeing their accumulation, stretched over a long time period, presents a fertile opportunity. It is surprising, that even with the amount of cases that are prevalent, fraud and scams are often at the bottom of a Trustee's list when it comes to considering risks to their schemes. Please refer below few instances of pensions related fraud and some other useful information which we believe would be helpful for Trustees in risk-assessment.

### Investment and misappropriation risks

A trustee was removed by the sponsoring employer for claiming fictitious expenses on account of attending Trustee meetings and other related expenses.

A fraudulent fishing email resulted in disinvestment of pension scheme funds and routed the cash to fraudsters bank accounts.

In January 2019, the former head of the Westminster City Council pension fund was jailed for seven years. He had been found guilty of stealing over £1 million from the fund by diverting monies earmarked for investments for his own personal use.

In February 2019, an accountant took over £280,000 from a pension scheme, for which he was a Trustee, to invest in one of his failing businesses. He falsified details of a meeting that approved it.

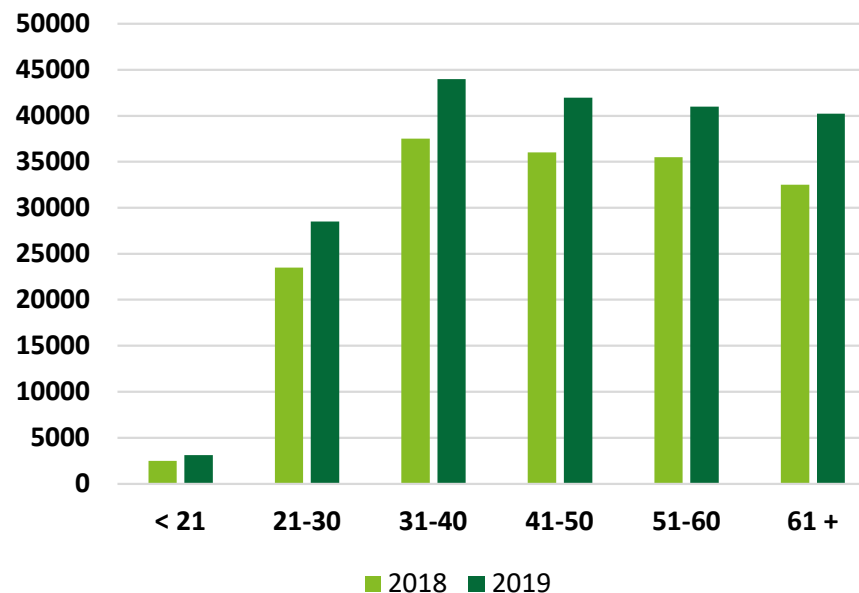
In November 2018, a Chief Executive Officer (CEO) and Trustee of a pension scheme was banned from being a Trustee after a whistle-blower highlighted he was planning to invest £1.2 million of the pension fund in the firm he was CEO of and a major shareholder in.

A pension fund based in Norfolk, UK covering 90,000 members largely from the local council, was part of a successful case to sue Los Angeles-based Puma Biotechnology and its CEO, who had made false claims which led to artificially inflating the share price. This resulted in a £50,000 loss to the pension fund (and a £100 million loss across all Defendants).

An overnight loan was granted to a related party without appropriate approval. However the loan was returned subsequently and did not cause any significant financial loss to the Scheme.

Cifas is an independent, not-for-profit organisation working to reduce fraud and related financial crime in the UK. As per their records identity fraud rose by nearly 20% in 2019, accounting for the largest number of cases recorded by Cifas members at 61%. People aged over 31 were specifically targeted by this type of fraudulent conduct, with victims aged 60 and over on the rise. The highest number of victims (68%) were recorded in the South East region.

Victims of Impersonation by age group



# Topical matters

## Pensions related fraud



### Opportunistic pension fraud

- In 2013, The Sun newspaper, using an undercover reporter, was able to secure a death certificate and an official Indian record of death. Such records are available for as little as £300 from corrupt officials.
- In Russia in 2010, the wife of the 'deceased' presented a Russian death certificate to the British embassy to enable various frauds to take place.
- In 2014, a man was jailed for attempting to claim a £1 million life insurance policy using false death certificates from India.

• In 2019, a woman was convicted of continuing to claim her father's war pension and other benefits after his death in 2004 amounting to a £740,000 loss.

• Her daughter continued to claim her mother's pension for two years after her death, defrauding the pension scheme of over £7,500.

### Pension Liberations

In recent years, the pension liberation reforms have stimulated an increase in frauds targeting those with pensions. This has, in turn led to an increase in the action by authorities to tackle this problem. However, the media focus on 'pension liberation frauds' has masked a range of opportunities for fraud in the wider pensions sector. These include frauds by those running pensions schemes, inappropriate investments and the targeting of pension schemes by external fraudsters, sometimes those involved in organised crime. These risks have received less attention.

### National Fraud Initiative (NFI):

Evidence from the National Fraud Initiative (NFI), where details of the deceased are matched against those receiving benefits, also illustrates this continues to be a significant problem. The most recent NFI report identified £55.5m million of payments to persons claiming the pensions of dead persons, whilst the total number of cases were 2,876 claiming average £19,289 per annum.

### Incompetent or corrupt pension administrators

- An employee of the pension Scheme administrator was terminated by the scheme administrator for diverting benefits of dead pensioners to his spouse bank account. A similar case of creating a fictitious pensioner on the payroll was also noted.
- Due to non adherence with employee conflict of interest policies at a Scheme administrator, it was noted that a married couple were preparing and reviewing the bank reconciliations of pension schemes. The incident causes more concerns as it was identified during COVID times when all employees were working from home.

Comparison of pension related overpayments 2012/13 to 2018/19

	2012/13		2014/15		2016/17		2018/19	
	Number of cases	£m	Number of cases	£m	Number of cases	£m	Number of cases	£m
	2,990	75.9	3,592	85.1	3,763	136.9	2,876	55.5
<b>Average outcome per case</b>	<b>£25,385</b>		<b>£23,692</b>		<b>£36,381</b>		<b>£19,289</b>	



# Topical matters

## Pensions related fraud

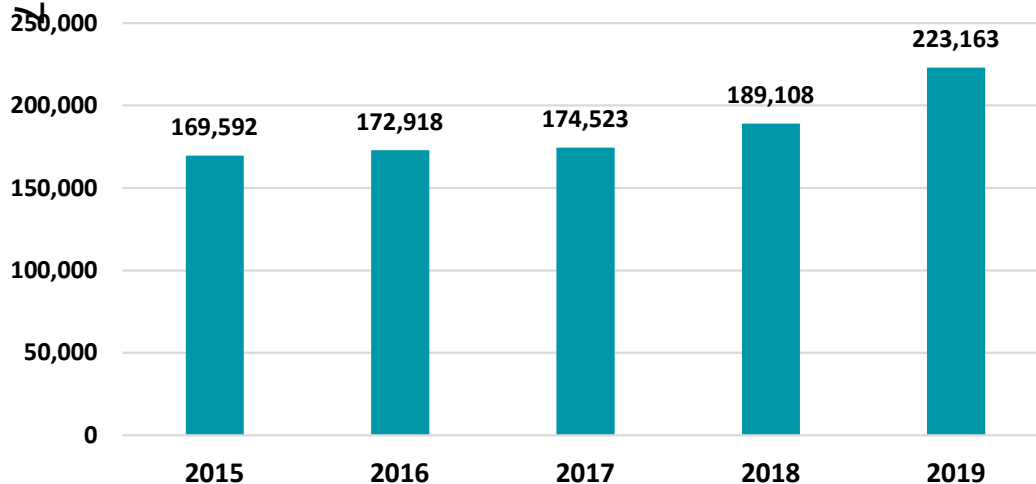


### Identity fraud

Research has estimated that there are over 1.6 million 'lost' individual pension funds worth around £20 billion. Pension schemes make millions of payments each year and there are a variety of risks of fraud in this area. There are risks from internal fraud where corrupt staff use their knowledge to facilitate a variety of frauds. Given some of the potential weaknesses in the counter fraud processes of pension administrators combined with the large sums available, the risk of such fraud is high. There is significant evidence that shows identity fraud has been increasing in prevalence for the last 10 years. Cifas, a fraud prevention service in the UK, produces statistics each year on the number of cases of identity fraud. Cifas define identity fraud as "when a criminal abuses personal data to impersonate an innocent party or creates a fictitious identity to open an account. Their statistics shows a sharp increase since last five years.

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**Cifas: Cases of Identity Fraud**



### Cyber-security risk

The data pension scheme administrators hold would be very useful to fraudsters. There are a wide variety of risks that emerge as a result of increasing use of digital technologies to administer pension schemes. These include:

- impersonation of legitimate beneficiaries to divert payments
- hacking of systems to alter records for the purpose of fraud
- hacking of systems to secure the personal information of pension holders.

There are many other examples of cybercrime involving sophisticated hackers or corrupt insiders. Any organisation with large amounts of money and sensitive personal data is a potential target for fraudsters.

A UK man based in Berkshire hacked into the Orange County Employee Retirement Scheme in the USA and diverted payments from some members to accounts he had set up in their name. Over £15,000 in pension payments per month were at risk from his fraud.

In 2018, Equifax was hacked exposing 143 million accounts worldwide and 400,000 in the UK.

System super-users access rights granted to few employees of a Pension Scheme administrator to edit their own member records and those of each other. It was noted that Super-users edited their and each other's activity and no second formal review process or other mitigating controls were in place.

# Appendices

# Appendix 1: ISA 240 – The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Scheme and management. It is important that management, with the oversight of those charged with governance, place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. This involves a commitment to creating a culture of honesty and ethical behaviour which can be reinforced by an active oversight by those charged with governance. Oversight by those charged with governance includes considering the potential for override of controls or other inappropriate influence over the financial reporting process.

## Auditors Responsibility

An auditor conducting an audit in accordance with ISAs (UK) is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs.

As part of our partner lead planning process, as an audit team we have considered the possible avenues of fraud within the Scheme and have outlined our approach to each consideration below.

Consideration	Approach
Fraudulent posting of journal entries – the purposeful misstatement of the financial statements	We have outlined our approach to the mitigation of this risk on page 14.
Fraudulent valuation of investment assets - incentive to overstate assets value	We have outlined our approach to the mitigation of this risk on pages 14, 15 and 19.
Misappropriation of cash - disinvestments not processed in accordance with the investment mandate	We perform a walkthrough of the disinvestment process and assess the identified controls. We inspect the investment mandate in place and the signed disinvestment instruction to ensure it has been processed appropriately. We then track the disinvestment proceeds to the Fund bank account.
Creation of fictional pensioner records and payments to non Scheme members	We perform a walkthrough of the process and controls around pensioner set up and amendments to existing Civica records to ensure there are appropriate controls and enforced segregation of duties. In addition, we understand the controls associated with payments made from the Fund bank account to ensure they are authorised in accordance with payment limits and only on inspection of information received from the member.
Pensioner existence – payment of pensions to deceased members	We perform a walkthrough of the process and controls around the existence of pensioners to ensure the timely suspension of pensions to deceased members.

# Appendix 2: Fraud responsibilities and representations

## Responsibilities explained



### Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and the Audit Committee, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



### Our Responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified the valuation of directly held commercial property as a key audit risk within the Fund and management override for both the Fund and the Authority.



### Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

### We will request the following to be stated in the representation letter signed on behalf of the Audit Committee:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund and Authority and involves:
  - (i) management;
  - (ii) employees who have significant roles in internal control; or
  - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, analysts, regulators or others.

# Appendix 2: Fraud responsibilities and representations (continued)

## Inquiries

We will make the following inquiries regarding fraud:



### Management:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to the risks of fraud in the Fund and Authority.
- Management's communication, if any, to the Audit Committee regarding its processes for identifying and responding to the risks of fraud in the Fund and Authority.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the Fund and Authority.
- We plan to involve management from outside the finance function in our inquiries.



### Internal Audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the Fund, and to obtain its views about the risks of fraud.



### The Audit Committee

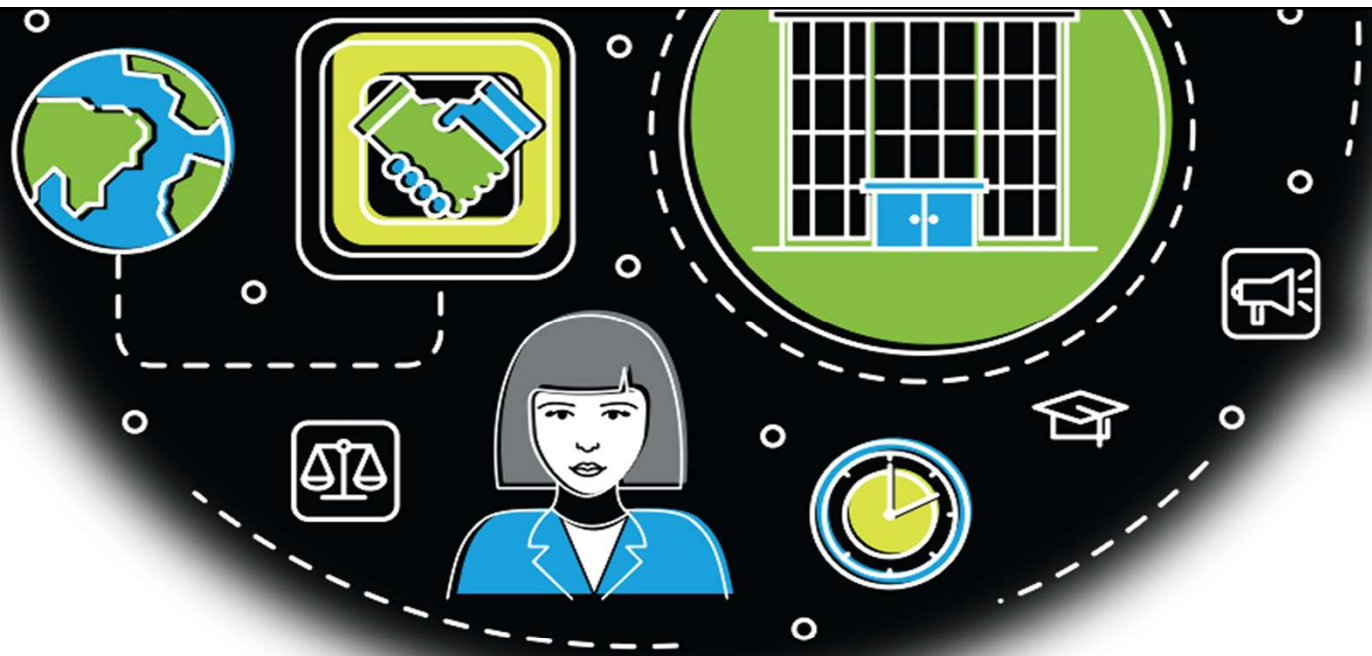
- How the Audit Committee exercises oversight of management's processes for identifying and responding to the risks of fraud in the Fund and Authority and the internal control that management has established to mitigate these risks.
- Whether the Audit Committee has knowledge of any actual, suspected or alleged fraud affecting the Fund and Authority.
- The views of the Audit Committee on the most significant fraud risk factors affecting the Fund and Authority.

# Appendix 3: Independence and fees

## A Fair and Transparent Fee

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

<p><b>Independence confirmation</b></p>	<p>We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Fund and Authority and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2022 in our final report to the Audit Committee.</p> <p>In considering the requirements of Auditor Guidance Note 01 (issued by the National Audit Office) and the Ethical Standard 2019 to report all significant facts and matters that may bear upon our integrity, objectivity and independence, though not meeting the defined criteria for an affiliate of an audited entity, we have taken account of the tax and internal audit services provided to Border to Coast Partnership by Deloitte. To this effect we have documented our assessment on the threats and safeguards concerned with the delivery of services to, and the receipt of fees from, Border to Coast Pension Partnership, along with our assessment on the opinion of a reasonable and informed third party on these services.</p>
<p><b>Pages</b></p>	<p>Our initial audit fee for the year ending 31 March 2022 is £31,833 for the Fund and the Authority. The fee reflected here is the scale fee. In line with recent PSAA correspondence that scale fees should be negotiated by individual s151 officers, we are in discussion with the Authority regarding the current level of fee which we deem to be too low given the size and complexity of the body.</p> <p>The above fee also excludes the cost of providing IAS 19 letters to other local authorities that will be recharged by the Fund to the other local authorities. The above fees exclude VAT.</p>
<p><b>Non audit services</b></p>	<p>In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Fund's policy for the supply of non-audit services or any apparent breach of that policy.</p> <p>We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.</p>
<p><b>Ethical Standard 2019</b></p>	<p>Under the Ethical Standard released by the FRC in 2019, the standard classes pension schemes as 'other entities of public interest' where assets are greater than £1bn and there are more than 10,000 members. As a result, non-audit services are limited primarily to reporting accountant work, audit related and other regulatory and assurance services. All other advisory services to these entities, their UK parents and world-wide subs will be prohibited.</p>



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<b>Subject</b>	<b>Audit Committee Annual Report 2021/22</b>	<b>Status</b>	For Publication
<b>Report to</b>	Audit Committee	<b>Date</b>	3 <sup>rd</sup> March 2022
<b>Report of</b>	Clerk and Director		
<b>Equality Impact Assessment</b>	Not Required	Attached	No
<b>Contact Officer</b>	George Graham Director	<b>Phone</b>	01226 666439
<b>E Mail</b>	<a href="mailto:ggraham@sypa.org.uk">ggraham@sypa.org.uk</a>		

## **1 Purpose of the Report**

- 1.1 To secure approval for the Committee’s annual report on its work as part of the process of providing assurance underlying the preparation of the Annual Governance Statement.
- 

## **2 Recommendations**

- 2.1 Members are recommended to:
- a. Approve the Annual Report of the Committee for 2021/22 for publication subject to updates to reflect the attendance at and outcomes of this meeting being agreed by officers with the Chair.**
- 

## **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.

It is recognised as good practice for an Audit Committee to produce an annual report setting out how its activities have addressed the various elements of the duties of an Audit Committee during the year. This contributes to the provision of assurance as part of the preparation of the Annual Governance Statement.

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

- 4.1 The actions outlined in this report demonstrate the mitigations in place to address the identified risks around weaknesses in the overall governance and control framework.

## **5 Background and Options**

- 5.1 The Audit Committee has a central role in the processes for the production of the Authority’s Annual Governance Statement (AGS) and a number of the functions which it performs are a key part of the provision of assurance which underlies the process of

producing the AGS. In order to provide assurance that the Committee is fully meeting its responsibilities it is good practice for an Annual Report on the Committee's work to be produced.

A draft Annual Report on the Committee's work during the 2021/22 Municipal Year is attached for approval at Appendix A. Once updated to reflect the activity undertaken at this meeting the report will be published on the Authority's website and will form part of the evidence base for the production of the Annual Governance Statement.

**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

**Sarah Norman**  
Clerk

**George Graham**  
Director

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



Audit Committee  
Annual Report  
2021/22  
March 2022

## **Foreword**

I am pleased to present the second annual report of the Authority's Audit Committee covering the Committee's activity during the 2021/22 financial year. Reporting on the Committee's work in this way contributes to the process of assurance gathering which is used to produce the Authority's Annual Governance Statement and demonstrates the robustness of the overall governance arrangements that are in place.

Councillor Garry Weatherall

Chair

Audit Committee – South Yorkshire Pensions Authority

## **1. INTRODUCTION**

This report is produced in order to provide stakeholders with information on the work of the Committee over the 2021/22 Municipal Year and to support the process of assurance gathering required in order to produce the Authority's Annual Governance Statement.

It outlines the Committee's:

- Role and responsibilities.
- Membership and attendance; and
- Work programme.

## **2. COMMITTEE INFORMATION**

### **Audit Committee Role and Responsibilities**

The Committee's terms of reference are set out in the Authority's constitution and are as follows:

To fulfil 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.

Monitor the Authority's risk register and annual governance action plan, reporting issues of concern to the full Authority.

### **Membership**

The Committee's membership at the end of March 2022 was:

Councillor G Weatherall (Chair)

Councillor S Clement-Jones

Councillor D Fisher

Councillor D Nevett

Councillor C Rosling-Josephs

Councillor N Wright

In addition, the three observers nominated to the Authority by the recognised trade unions are entitled to attend and participate in meetings of the Committee. During the year these representatives were:

N Doolan-Hamer (Unison)

D Patterson (Unite)

G Warwick (GMB)

### **Committee Meetings and Attendance**

The Committee held three meetings during the municipal year (July 2021, October 2021 and March 2022). The business conducted reflected the terms of reference and the pattern of work of the Authority's Internal and External Auditors. The schedule of Members' and Officers' attendance is attached as Appendix 1.

During the year Councillor Alan Law who had been appointed by the Authority to Chair the Committee had to resign due to ill health and was replaced by Councillor Garry Weatherall.

Good practice guidance suggests that the Chief Financial Officer should attend regularly, and that the Monitoring Officer and other senior officers should contribute as appropriate. The actual attendance recorded demonstrates that this was achieved.

### **3. COMMITTEE WORK PROGRAMME AND OUTCOMES**

The Board maintains a broad programme of work for its main areas of activity. The reports received during 2021/22 are shown in Appendix B; the outcomes of the Committee's work in relation to these are summarised below. The "boxed" bullet points in *italics* are the core functions from the CIPFA guidance; the details below each box identify how the Committee has achieved its responsibilities.

### 3.1 Risk Management and Internal Control

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

#### **The Committee has:**

- Completed the Annual Review of the Authority's Risk Management Framework in October 2021
- Received regular progress reports from the Head of Internal Audit on internal control matters.
- Received regular reports on progress against audit recommendations.
- Considered the results of the review of internal control and internal audit for 2020/21.

### 3.2 Internal Audit and External Audit

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

#### **The Committee has:**

##### ***Internal Audit:***

- Agreed the Internal Audit Strategy and Annual Plan for 2022/23.
- Received and considered Head of Internal Audit's Annual Report for 2021/22, including the opinion on the Authority's internal control arrangements.
- Received and considered regular reports from the Head of Internal Audit on the Internal Audit Team's progress against the annual plan, including summaries of the reports issued and management's response.

##### ***Appointed External Auditor (see also Accounts below):***

- Received reports from Deloitte on their Audit Plans for the Authority and their Annual Report which was recommended to the Full Authority for consideration.



- Received regular progress reports from Deloitte
- Approved Deloitte's fee for the financial year 2020/21.

### 3.3 Accounts

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

The Committee has:

- Overseen the production of, and approved the Authority's Annual Governance Statement 2020/21;
- Reviewed and approved the Authority's Statement of Accounts and Annual Report and letter of representation for 2020/21;
- Received and approved Deloitte's Annual ISA 260 Report 2020/21 and agreed the responses to the recommendations made.

### 3.4 Working Arrangements

Members considered and agreed the Board's Annual Report for 2020/21 which was then published on the Authority's website.

The Board, as part of considering the Annual Report, revisited the self-assessment of its position against the best practice guidance and considered the extent to which its arrangements remained robust.

## MEMBER/OFFICER ATTENDANCE AT AUDIT COMMITTEE MEETINGS

Member/Officer	29 July 2020	21 October 2020	3 March 2021
Cllr A Law	Note 2		
Cllr G Weatherall		✓	
Cllr S Clement-Jones	✓	✓	
Cllr D Fisher	✓	✓	
Cllr D Nevett	Note 3	✓	
Cllr C Rosling-Josephs	✓	✓	
Cllr N Wright	Note 1	✓	
N Doolan-Hamer	Note 1	✓	
D Patterson	Note 1	Note 1	
G Warwick	✓	Note 1	
Director	✓	✓	
Head of Finance and Corporate Services (Deputy Treasurer)	✓	✓	
Treasurer (s73 Officer)	✓	Note 1	
Monitoring Officer	✓	✓	
Deputy Clerk	Note 1	Note 1	
External Audit (Deloitte)	✓	Note 1	
Internal Audit (Barnsley MBC)	✓	✓	

## Notes

1. Apologies
2. Apologies – Cllr M Havard substituted
3. Acted as Chair for the meeting

Councillor Law resigned from the Authority due to ill health and was replaced by Councillor Weatherall.

## COMMITTEE ACTIVITY

Function/Issue	23 July 2020	22 October 2020	4 March 2021
<b>Risk Management</b>			
Annual Review of the Risk Management Framework		Noted	
<b>Governance and Internal Control</b>			
Data Protection Officer's Annual Report			
Annual Review of the Governance Compliance Statement		Approved	
Progress on delivering the 2020/21 Annual Governance Statement Action Plan			
Progress on Implementation of Audit Recommendations	Noted	Noted	
Annual Procurement Report			
<b>Internal Audit</b>			
Progress Report	Noted	Noted	
External Quality Assessment		Noted	
Annual Report 2020/21	Noted		
Internal Audit Charter	Noted		
Internal Audit Plan 2022/23			
<b>External Audit</b>			
Auditor Appointment Process		Recommended action to the Authority	
ISA 260 Report 2020/21	Noted		
Annual Audit Report 2020/21		Noted and recommended to the Authority	
External Audit Plan 2021/22			
<b>Accounts</b>			
Audited Annual Report and Statement of Accounts 2020/21	Approved		
Letter of Representation	Approved		
<b>Board Working Arrangements</b>			
Audit Committee Annual Report 2021/22			

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



<b>Subject</b>	<b>Progress on Delivering the Annual Governance Statement Action Plan</b>	<b>Status</b>	For Publication
<b>Report to</b>	Audit Committee	<b>Date</b>	3 <sup>rd</sup> March 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 666439
<b>E Mail</b>	ggraham@sypa.org.uk		

## **1 Purpose of the Report**

- 1.1 To provide members with an update on the delivery of the action plan included in the 2020/21 Annual Governance Statement as part of their function to maintain an overview of the processes concerned with the production of the Annual Governance Statement.
- 

## **2 Recommendations**

- 2.1 Members are recommended to:
- a. Note and comment on the progress being made on delivering the action plan that formed part of the 2020/21 Annual Governance Statement.**
- 

## **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.

It is important that the Committee receives assurance that progress is being made on the delivery of key actions highlighted in the Annual Governance Statement (AGS) in order to ensure that weaknesses identified through the process of producing the AGS are addressed.

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

- 4.1 The actions outlined in the AGS address issues that are reflected in the Corporate Risk Register, hence their delivery will increase the level of mitigation of these particular risks that is available.

## **5 Background and Options**

- 5.1 Each year the Authority's Annual Governance Statement includes an action plan which includes a number of activities designed to address issues or weaknesses which the

process of compiling the AGS has highlighted. Good governance requires that progress on delivering these actions should be reported to the Audit Committee as the responsible member body in order for members to discuss progress and inform the process for compiling the next AGS.

- 5.2 Appendix A sets out the actions arising from the last AGS due to be undertaken this year. In all cases progress has been made although as reported to the Authority. Reflecting the fact set out in the recent revision to the Corporate Strategy that the Organisation while accomplishing a significant amount has not managed to complete as much as planned a number of tasks will be carried forward into the next AGS. These include further improving our project management and reporting and embedding some of the work that has been done around members' learning and development.
- 5.3 The 2021/22 AGs will be prepared between now and the Annual Meeting of the Authority in June. The process of identifying and planning actions will need to reflect the learning from the last year in terms of matching timescales for delivery to our overall resources and consideration of competing priorities.

## 6 **Implications**

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

Financial	None directly from this report. Relevant budgetary provision has been made for individual actions arising from the AGS where necessary.
Human Resources	None
ICT	None
Legal	None
Procurement	None

**George Graham**

**Director**

<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>
Annual Governance Statement 2020/21	<a href="https://www.sypensions.org.uk/portals/0/pdf/SYPA%20Annual%20Governance%20Statement%20202021.pdf">https://www.sypensions.org.uk/portals/0/pdf/SYPA%20Annual%20Governance%20Statement%20202021.pdf</a>

South Yorkshire Pensions Authority Annual Governance Statement Action Plan for 2020/21			
Issue	Action Required	Date for Completion	Progress
Need to set consistent learning and development expectations for the Authority and Local Pension Board	Produce a single Learning and Development Strategy covering both groups of members and identify additional resource to support its implementation	<b>June 2021</b> (final adoption at the Annual Meeting of the Authority, following consideration by the Local Pension Board in April)	Strategy adopted at June 2021 meeting. Attendance at internally organised virtual events has been good. Take up of online learning resources and the online learning needs assessment has been limited. Discussions have taken place to add informal sessions after lunch to the Authority meetings to provide some additional learning opportunities. Further work required around monitoring and reporting self-directed activity, which will be part of work to be undertaken by the new Corporate Manager – Governance.
Need to review the Statutory Officer arrangements identified by Hymans Robertson	Agree a way forward with BMBC and secure the agreement of the Authority to any changes required as a result of this	<b>March 2022</b> (Any changes to be fully operational from April 2022)	Authority agreed approach in June 2022 and appropriate discussions have been held with BMBC resulting in a revised final operational date of April 2023. Recruitment for the new Corporate Manager – Governance is in hand and transition to the new arrangements will begin as soon as they are in post with a view to completing the transfer of functions as quickly as possible.
Need to continue to improve reporting and transparency	Develop and implement a regular and standardised approach to reporting regulatory compliance.	<b>March 2022</b>	Limited improvements have been made in reporting to the Board. This work has been impacted by the priority attached to the Oakwell House project and further improvements will be carried forward into the next AGS.

<b>South Yorkshire Pensions Authority Annual Governance Statement Action Plan for 2020/21</b>			
<b>Issue</b>	<b>Action Required</b>	<b>Date for Completion</b>	<b>Progress</b>
Need to strengthen project management	Develop and train appropriate staff in an appropriately scaled methodology and set of techniques and agree criteria to determine where the project management approach should be applied.	<b>March 2022</b>	Some progress in terms of training provided to staff in project management. There is more to do in this area and resources have been allocated in the 2022/23 budget to provide additional support for individual managers leading projects. To be carried forward into the next AGS
Need to develop a more coherent and consistent approach to continuous improvement	Adopt an SYPA continuous improvement approach and train key staff to use it to assist in delivering specific objectives	<b>March 2022</b>	Training delivered and delivering benefit in some areas.
Need to capitalise on communications changes and formalise links with key stakeholder groups	Formalise member updates and institute regular updates for Leaders and local authority FD's focussed on their specific needs	<b>March 2022</b>	Some progress with formalisation of the member updates and more regular updates for FD's. A more regular approach to updating Leaders and Chief Execs is required and this will be worked on in 2022/23.
Conduct a review of the staff welfare related elements of the Business Continuity Plan in the light of the pandemic experience	Health Safety and Wellbeing Committee to carry out review and make recommendations to Senior Management Team	<b>March 2022</b>	No formal review carried out but some changes made which are reflected in the Agile Working policy as well as the Business Continuity Plan following specific recommendations from the Committee.
Improvements to the central monitoring and recording of information related to key processes.	Implementation of new HR System to include facilities to support this.	<b>March 2022</b>	The procurement of this system has slipped to 2022/23 and this task will be retained in the next AGS
Need for the Audit Committee to deliver more consistent challenge	Discuss issues with elected members and key stakeholders and develop proposals.	<b>March 2022</b>	Briefing sessions prior to meetings have begun to provide members with the ability to deliver more challenge. This is now an ongoing process.



<b>Subject</b>	<b>Progress Update on Actions Arising from Audit Reviews</b>	<b>Status</b>	For Publication
<b>Report to</b>	Audit Committee	<b>Date</b>	03/03/2022
<b>Report of</b>	Head of Finance and Corporate Services		
<b>Equality Impact Assessment</b>	Not Required	<b>Attached</b>	Na
<b>Contact Officer</b>	Gillian Taberner Head of Finance & Corporate Services	<b>Phone</b>	01226 666420
<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 agreed management actions; 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 actions agreed in response to audit findings during the current and previous financial years.
- 5.3 The tables in the attached appendix show the status and progress being made on the outstanding actions, as well as the actions that have been agreed with timescales for future completion, and this will continue to be actively monitored.
- 5.4 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
Added Voluntary Contributions (AVC)	13/09/2019	<p>To undertake a review to determine the adequacy of the current contract management arrangements with the AVC providers.</p> <p>Establish process to monitor progress against Key Performance Indicators (KPIs) between the AVC provider and the Authority.</p> <p>Where KPI targets are not met, the Authority should ensure these are followed up within a timely manner.</p>	<p>The commissioning of the independent AVC review was delayed to allow the impact of the Prudential reporting to the Pensions Regulator to be measured and monitored. The independent AVC review has now been commissioned with Barnett Waddingham (actuary) through the LGPS Framework and is expected to report in Quarter 1 of 2022/23.</p>	<p>Head of Pensions Administration</p> <p>Q1 2022/23</p>
Data Quality Improvement Plan		<p>Failure to address the root cause for data quality issues (i.e. human error / system error) within the UPM system resulting in increased resources required to resolve errors identified and impacting on the effectiveness &amp; efficiency of the service provided to members of the Pensions Scheme.</p> <p>Senior Management may not be fully aware of the extent of data quality issues identified by the Technical Advisor as part of the data quality assurance checks and how these impact on the performance of the Service.</p>	<p>A project team has been created within the wider Benefits Team to clear data errors relating to some of the Data Improvement Plan and other available reports which will directly impact upcoming exercises for pension increases, annual benefit statements and the triennial valuation. The Technical Adviser retains the responsibility for root cause analysis in respect of these errors which now forms part of the routine reporting on the Data Improvement Plan to the Head of Pensions Administration.</p> <p>We therefore consider that this action may be closed – to be confirmed with internal audit team.</p>	<p>Technical Adviser</p> <p>31 December 2021</p>

Audit Review Title	Report Issued Date	Finding / Implication	Progress Update	Officer Responsible and Timescale
DPO Survey		Staff Awareness in regards to individual roles and responsibilities regarding GDPR requirements.	Initial plans were to make use of our LinkedIn Learning platform to rollout GDPR refresher training by Sept 2021, however there isn't a current module available to meet requirements. Therefore, an alternative course has been identified via BMBC's platform, 'BOLD' and staff will be directed to complete this online training. Training now due to commence in Quarter 4 with a completion date of the end of Quarter 1 of 2022/23.	Head of Pensions Administration  Revise to: 31 July 2022
HR Governance	22/01/2020	Implement a corporate approach to the management of training and development.	As previously noted, this is an ongoing piece of work which is now reflected in the HR Strategy 2022 – 2025, approved at the meeting of the Authority in February.  Currently, progress is continuing on developing our use of the LinkedIn Learning platform, and the collation of training requirements using SharePoint as an interim measure pending the procurement of a new HR system.  We are therefore suggesting a revised date for a further progress update to 31/07/2022.	Director  Next progress update to be provided by 31 July 2022
Information Governance	18/08/2020	Although a Records Management Policy is in place, it is acknowledged that this is currently lacking a sufficient level of detail to make it a practical basis for determining document retention for the many different categories of records across the organisation.	The agreed action is to develop and implement a more detailed Record Management / Document Retention policy. The work on this is planned to be undertaken by the Governance and Risk Officer and will now take place during the first half of the 2022/23 financial year – it has not been possible before this due to other, more pressing priorities. However, by moving this into 2022/23, it is likely that the new role of Corporate Manager – Governance will be filled, and the post-holder will also contribute to this work.	Head of Pensions Administration  Revise to: 31 July 2022
Information Governance	18/08/2020	Action Plan - Lack of a framework upon which the Authority can monitor and evidence its progress in addressing the areas of non-compliance with GDPR requirements.	As above, this will also form part of the work to be undertaken by the Governance and Risk Officer; and also the Corporate Manager – Governance when in post.	Head of Pensions Administration  Revise to: 31 July 2022

Audit Review Title	Report Issued Date	Finding / Implication	Progress Update	Officer Responsible and Timescale
Purchase to Pay	27/08/2020	Ensure the contract register published is fully comprehensive and kept up to date.	The Governance & Risk Officer is in progress with review of the register and ensuring all relevant contracts are included in the published information as required. This work is largely complete in respect of current live contracts, with some work still to do in relation to review of completeness, and ongoing procedures for monitoring compliance. We have therefore suggested a revised target date of 30 June 2022.	Governance & Risk Officer  Revise to: 30 June 2022.
Online Retirement Tool – AVCs	22/01/2021	Ensure that previously identified AVC concerns are resolved to prevent any issues having an impact on the successful delivery of the Online Retirement Tool.	The Deferred Online Retirement Tool is not impacted by the issues with AVC providers as there is an exception built in so that members with AVCs are not processed through the Tool. However, on the wider issue of AVC provision, an actuarial firm has now been engaged to carry out an independent review of our existing AVC provision. This is expected to be completed in Quarter 1 of 2022/23 when any recommendations will be put forward to the Pensions Authority.	Head of Pensions Administration
Pensions Review Process – Child Pensions	2020/21	Failure to provide Senior Management with detailed information on the outcome of the Child Pension exercise, including concerns identified and follow up action taken to confirm ongoing eligibility; impacting on management's ability to effectively manage the recovery of overpayments made and the financial / reputational position of the Authority.	The child review process implemented previously is working effectively on an individual case by case basis but the assurance reporting of completed cases has not yet been finalised due to other workload commitments within the Benefits Team. The reporting to the Senior Management Team is now expected to commence at the end of Quarter 1 of 2022/23.	Head of Pensions Administration  Revise to 31 July 2022

Audit Review Title	Report Issued Date	Finding / Implication	Progress Update	Officer Responsible and Timescale
Pensions Review Process – Existence Checks Management Reports	2020/21	Failure to provide Senior Management with detailed information on the outcome of the Life Certificate exercise, including concerns identified and follow up action taken to confirm existence; impacting on management's ability to effectively manage the recover overpayments made and the financial /reputational position of the Authority.	The latest Life Certificate report is due to be compiled by 31 March 2022. This will then be presented to the April meeting of the Local Pension Board.	Head of Pensions Administration  Revise to 30 April 2022

Table 2: Actions Agreed With Future Target Dates

Audit Review Title	Report Issued Date	Implications from Audit Review	Agreed Action / Update on Target Date Revisions	Officer Responsible and Timescale
HR Governance	22/01/2020	Ensure the 3-year policy review programme is completed.	<p>Substantial progress on the policy review programme was made as planned by October 2021. However, there are still some old policies that although legislatively correct, require tweaking and refreshing. In addition, HR are currently working on Induction and wellbeing (new) policies that are big pieces of work.</p> <p>Date therefore revised to October 2022. Work on this area 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.</p>	<p>HR Business Partner &amp; SMT</p> <p>Revised to 31 October 2022</p>
HR Governance 2021/22	20/12/2021	Failure to utilise the Training Needs Form as part of the Appraisal Process resulting in an ineffective tool upon which training & development requirements are captured and monitored to ensure that all requirements are met.	Briefing sessions will be arranged with line managers to go through the new training requirements form and complete it with the training needs that they have identified for their staff during this year, then add to it as necessary following the annual and mid-year appraisal review process.	<p>Head of Finance &amp; Corporate Services &amp; HR Business Partner</p> <p>30 April 2022</p>
HR Governance 2021/22	20/12/2021	An ineffective Appraisal Workflow may result in an inconsistent approach when undertaking Appraisal Reviews and a lack of a corporate timeframe for commencing the annual Appraisal Process may impact on the Authority's ability to effectively monitor achievement of objectives and timely delivery of training & development requirements, impacting on the performance of employees.	The workflow process is to be reviewed and streamlined with the aim of making it easier for managers and staff to navigate. The aim will be a simpler process that can be initiated centrally to prompt all appraisers when the annual process is due to take place. This will also form a key part of the system specification for the new HR system.	<p>Head of Finance &amp; Corporate Services &amp; HR Business Partner</p> <p>30 June 2022</p>

Audit Review Title	Report Issued Date	Implications from Audit Review	Agreed Action / Update on Target Date Revisions	Officer Responsible and Timescale
HR Governance 2021/22	20/12/2021	Failure to set realistic objectives or follow up on the achievement of ongoing objectives may impact on Management's ability to effectively manage the performance of Appraisees, ensuring that they perform their roles and responsibilities to the best of their ability.	A management training programme is currently underway and includes coverage of performance and objective setting. In addition, we will include some guidance on objective setting as part of the briefing sessions for line managers and staff, and clarify the expectation for these, and learning / development plans, to be discussed throughout the year in 1-2-1 meetings. In addition, we will signpost to suitable e-learning course/s available on our LinkedIn Learning platform on objective setting.	Head of Finance & Corporate Services & HR Business Partner  30 April 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 proved not to be achievable due to the following:  a) The Governance & Risk Officer was also leading on arrangements for our move to Oakwell House during Nov 2021 to Jan 2022 which took priority; and  b) The YORtender system moved 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 revised our target date to 30/04/2022.	Head of Finance & Corporate Services  Revised to: 30 April 2022
Accounts Receivable	11/03/2021	Lack of a formal debt recovery procedure may result in uncertainty of roles, responsibilities, inconsistencies, etc.	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.  The original target timescale slipped due to having staff vacancies / turnover. The new finance system went live in December 2021 and we are now working on developing & documenting the enhanced processes.	Financial Services Manager  Revised to 31 March 2022.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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